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West Europe Report

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17 March 1986

WEST EUROPE REPORT

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POLITICAL

DENMARK

COMMUNIST PARTY CHIEF INVOLVED IN USSR RIGHTS CASE

Appeal from Soviet Journalist

Copenhagen BERLINGSKE TIDENDE in Danish 15 Feb 86 p 2

[Article by Jorn Mikkelsen: "Danish CP Leader Attacks Moscow Journalist"; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] Danish Communist Party chairman Jorgen Jensen accused Soviet chess journalist Vladimir Pimonov, who recently appealed to him through BERLINGSKE TIDENDE, of playing a political game in his efforts to get an exit permit.

"I cannot see that Pimonov has any interest in coming to Denmark. It looks as if he is playing a purely political game."

That was Danish CP chairman Jorgen Jensen's comment on the open letter which Soviet chess journalist Vladimir Pimonov recently sent to him via the pages of BERLINGSKE TIDENDE. For 2 years Pimonov has sought permission to come to Denmark in order to be reunited with his wife, Lise Petersen, and the couple's daughter, but so far he has been unsuccessful.

In his letter Pimonov flatly rejected Jensen's claim that he had been engaged in classified work before he became a chess reporter. Pimonov has an education in philology and is an expert on Shakespeare. In 1982 he started working for the chess magazine known as 64.

However Jorgen Jensen hinted to BERLINGSKE TIDENDE that Pimonov was concealing something about his past and that that is the reason why he is unable to get an exit permit.

"What did he do before 1982? I have been told that Pimonov performed classified work and as long as he is unwilling to tell me what he did before he became a chess reporter, I can't do any more about the matter. I became involved in the case because I thought it could be resolved, but now I have found out that I was not given all the facts about Pimonov," said Jorgen Jensen, who was unable to be more specific about the nature of Pimonov's alleged work or who had told him about it.

Pimonov's Danish wife, Lise Petersen, said: "I have no idea what Jorgen Jensen is talking about. My husband has only worked with philology and chess."

In his open letter Pimonov also asked Jensen what he thought of divided families. "I sympathize with all families that must live apart because of the situation that exists in the world. Communists are greatly affected by this. The Pimonov case is far from unique," said the Danish CP leader.

Jorgen Jensen flatly refused to answer Pimonov's other question about why it would be such a threat to Soviet security to allow Pimonov to visit his wife and daughter in Denmark.

The Danish CP chief has claimed on several occasions to have brought the matter up "on the party level" in Moscow, but he would not provide any information about the names of the people he had spoken to. He would not make any promise to take the matter up again in connection with his participation in the 27th Soviet party congress at the Kremlin 2 weeks from now.

Issue Raised in Moscow

Copenhagen BERLINGSKE TIDENDE in Danish 18 Feb 86 p 6

[Article by Jorn Mikkelsen: "Danish CP Leader Under Pressure in Family Tragedy"; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] Pressure is mounting on Danish Communist Party chairman Jorgen Jensen with regard to the case of the 31-year-old Soviet chess journalist, Vladimir Pimonov, who has been unable to leave the Soviet Union in order to be reunited with his Danish wife.

The chairman of the Danish Communist Party, Jorgen Jensen, is now under real pressure in connection with the case of the 31-year-old Soviet chess journalist, Vladimir Pimonov, who has been trying unsuccessfully for 2 years now to come to Denmark in order to be reunited with his wife and little daughter.

Today the Danish CP leader received an intense and urgent appeal from Pimonov's Danish father-in-law, Niels Tygesen Petersen of Rinkenaes. The letter expressed anger at Jorgen Jensen's statement that Pimonov had no real reason for wanting to come to Denmark but was simply playing a political game in his attempt to draw attention to his situation.

"What kind of proof does a family have to give before the Danish Communist Party will believe that a family wants to live together? What kind of political game do they imagine a man with kidney disease is playing when he tries to get permission to travel to Denmark in order to see his family?" wrote Niels Tygesen Petersen--the father of Lise Petersen, who married Pimonov in Moscow in 1983 and had the couple's daughter 6 months ago.

Jorgen Jensen has said repeatedly, most recently in connection with the open letter Vladimir Pimonov sent to him from Moscow a week ago, that Pimonov is

hiding something about his past and he hinted that Pimonov had been engaged in classified work. However Jensen was unwilling to reveal the source of his information concerning Pimonov's alleged job.

In his letter to Jensen, Pimonov rejected the charge in the strongest terms.

Lise Petersen said: "My husband has only worked with English philology and chess. I have no idea what Jorgen Jensen is referring to."

Niels Tygesen Petersen wrote further to the Danish CP leader: "You claim that Pimonov is hiding something about his past and that you did not receive all the facts. Where did you get your information from, Mr Jorgen Jensen? We in the Petersen family prefer to believe what our son-in-law tells us rather than your unsubstantiated claims."

Tygesen Petersen referred to the Helsinki agreements under which a family is free to choose which of a married couple's native countries it wishes to settle down in.

Jorgen Jensen stuck to his statement and added: "I would like to help out for humanitarian reasons, but I will not be used by Pimonov or the non-socialist press in Denmark to launch an attack on the laws and administration of the Soviet Union."

According to his own account, Jorgen Jensen has brought the matter up in Moscow "at the party level," but he would not give the name of the people he had spoken to. He informed us that he would not say anything more about the matter.

6578

CSO: 3613/73

POLITICAL

DENMARK

SCHLUTER COALITION MAINTAINS STRONG POPULARITY WITH VOTERS

Copenhagen BERLINGSKE TIDENDE in Danish 20 Feb 86 pp 1, 6

[Article by Helle Ravn Larsen and Asger Schultz; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] The government's popularity is on the rise again after a slight drop during the tax negotiations last year. The four-party coalition government is still the most popular Danish government since World War II.

There is no doubt in the minds of the voters. The four-leaf-clover government is the most popular since World War II and 73 percent of the voters feel the coalition has done "well" or "fairly well."

This is apparent from a study the Gallup Institute conducted for BERLINGSKE TIDENDE. About 1,000 people were asked if they thought the present government has done well, fairly well or poorly during its lifetime.

It appears from the study that the government's reputation has stabilized at a level indicating that around three-fourths of those questioned are satisfied with it, with 37 percent saying that the government has done a good job, 36 percent saying it has done a fairly good job and only 20 percent answering that the government has not done a good job. Some 7 percent had no opinion.

The Gallup Institute takes the government's temperature about every 6 months. The fluctuations have not been large except for a period last year during the tax negotiations when the temperature dipped slightly, but there is no doubt about it--the four-leaf-clover government has broken all previous records for government popularity and has emerged as the undisputed champion in this regard.

Latest Poll Shows Government Still Strong

The "temperature" of the nonsocialist government is still higher than that of any previous government.

In September 1983 the Gallup Institute measured the "temperature" of the non-socialist coalition government and noted that it was the most popular regime

since World War II. After that the government's popularity declined somewhat and last year's tax negotiations caused the temperature to drop even more, but now the government's reputation is on the rise again.

At intervals of half a year--except when special events indicate the need for an extra poll--the Gallup Institute surveys voters to determine what they think of the government in office at the time.

In these surveys polltakers ask a representative selection of voters, numbering approximately 1,000 people, the following question:

"Do you think the present government has done a good job, a fairly good job or a poor job during the period it has been in office?"

The first survey is usually made about 3 months after the new government takes office and thus the first poll concerning the four-party coalition was conducted in early December 1982. The latest regular survey was carried out in early February and the table below shows the result of this regular poll compared to earlier polls concerning the government's performance. The answers are given in percentages.

Table 1. Government Rating

<u>Poll Date</u>	<u>Good</u>	<u>Fairly Good</u>	<u>Poor</u>	<u>Don't Know</u>	<u>Total</u>
December 1982	28	36	23	13	100
March 1983	38	39	15	8	100
September 1983	43	39	12	6	100
March 1984	34	40	21	5	100
September 1984	34	42	18	6	100
March 1985	30	42	21	7	100
August 1985	30	42	20	8	100
February 1986	37	36	20	7	100

As we can see the government's popularity seems to have stabilized at a level where around three-fourths of the voters think the government has done a "good" or "fairly good" job and only around one-fifth think the government has not done a good job.

We can also see that the government's popularity is on the rise again and is still at a higher level than that of any previous government since World War II.

To make it easier to compare these figures with polls over previous governments the following graph shows all polls back to the Liberal-Conservative-Radical Liberal coalition of 1968.

Each poll was converted to a score by giving a "good" response a value of 2, a "fairly good" response a value of 1 and a "poor" response a value of minus 2.

Thus the latest poll gave a score of +70 while the first poll in December 1982 gave a score of +46.

The average for all polls was +13 and this average is shown on the graph as the right edge of the shaded area.

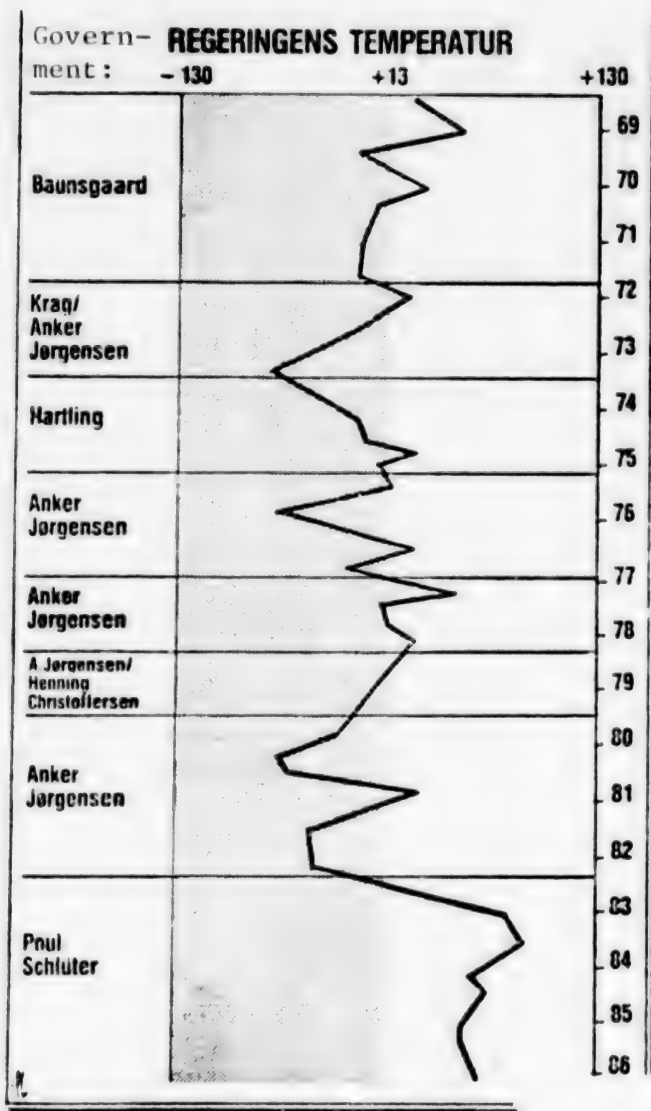


Figure 1. Government Temperature

Since it took office in 1982 the Schluter government has been extremely popular with the public.

Source: BERLINGSKE TIDENDE and the Gallup Institute.

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CSO: 3613/73

POLITICAL

FEDERAL REPUBLIC OF GERMANY

APPRENTICESHIP SHORTAGE NOT AFFECTED BY POPULATION DECLINE

Munich SUEDEDEUTSCHE ZEITUNG in German 7 Jan 86 p 4

[Article by Axel Hacke: "Record Numbers Are Passé"]

[Text] Only last October, Dorothee Wilms, minister for education and science proudly announced a "new record number of apprenticeships" but at year's end she had to correct herself. The number of apprenticeship contracts, did not rise as it had in previous years; it fell. It was not 710,000 young people, as Ms Wilms had claimed, but only 697,000 who were able to start their apprenticeship last fall--or 8,500 less than in 1984. As against 760,000 high school graduates in 1984 only 756,000 went looking for a training position last year.

Corrections of this kind are not at all unusual because in October there is no way of telling exactly how many young people will really start out on an apprenticeship. But it was awkward for Ms Wilms just the same that the "record" she had just announced was not forthcoming. In years past, it had been part and parcel of the apprenticeship debate and one of the government's best arguments. But the age of records now is a thing of the past. Over the next few years in fact, both the number of apprenticeships and the number of people looking for them is likely to decline. The experts say that population trends are such that only 730,000 young people will be looking for a training position this year. But there will also be fewer such positions available. The reason for it is that young people interested in these positions often contact the firm they want to work for directly and if they don't, the position is simply not offered any more.

There are other reasons for not rejoicing over the fact that the number of applicants will continue to go down--probably below the 700,000 mark by 1988. For one thing, the numbers will probably stay relatively high for some time and for another, it has become more and more difficult to balance supply and demand. On the apprenticeship market, there will continue to be more slots than can be filled in some areas and fewer slots than are needed in others.

On the average, there are presently 95 apprenticeship positions available for every 100 applicants. But in the Friesland area, for example, that figure stands at 110 and in the Hameln area at 80. This regional imbalance is

not touched upon in the public debate on the subject which tends to concentrate instead on simple questions of supply and demand. This problem can only be solved through greater mobility of the young people.

The number of vocational school graduates among the applicants for apprenticeships keeps falling even as the number of high school graduates continues to rise. But as a rule, the latter are less interested in blue-collar or technical employment than in training for jobs in business or the service sector. But in those fields demand has been exceeding supply for some time already whereas apprenticeships in the metal industry for example went begging. The crafts are looking for apprentices but elsewhere there are long lines of young people waiting to get the slot they want.

These problems have been obscured to some extent by the sheer volume of numbers; but in the future these problems will dominate the discussion about the apprenticeship market.

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CSO: 3620/221

POLITICAL

FEDERAL REPUBLIC OF GERMANY

NUMBER OF FOREIGNERS INCREASES AFTER YEARS OF DECLINE

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 8 Jan 86 p 5

[Article by "J1": "Number of Foreigners in FRG on Rise Again"]

[Text] Frankfurt, 7 Jan--The number of foreign nationals who have not merely taken up "temporary residence" in the FRG was on the rise last year. According to the latest report by the Federal Bureau of Statistics, there were some 4,366,000 foreign nationals living in the FRG on 30 September 1985, which means that the comparable figure for the preceding year was exceeded for the first time since 1982. A further increase will probably be registered on the 31 December cutoff date. In 1984, some 214,000 more foreigners left the FRG than entered the country; but during the past year the trend was reversed with 50,000 to 60,000 more foreigners entering the FRG than leaving.

The excess of births among the foreign population permanently resident in the FRG accounts for another 50,000 persons. On the other hand, the indigenous German population has been registering an excess number of deaths since the early seventies. The estimate for the past year runs to about 145,000 as against 160,000 in 1984. Excess births and rising immigration will probably have resulted in an increase of some 100,000 in the foreign national population resident in the FRG by year's end. During each of the two preceding years, the number of foreign nationals had declined by about 100,000.

There seems to be a connection between these most recent developments and the fact that the FRG government's financial assistance program for foreign nationals returning to their home country ran out sometime toward the end of 1984. This is borne out by the reversal of the previous trend. During the third quarter of 1984, for example, about 100,000 more foreigners left the FRG than took up "not merely temporary residence" here; but during the subsequent three months the number of emigrants declined sharply. Based on the most recent figures, the number of immigrants began to exceed the number of those leaving the FRG once again as of the first quarter of 1985.

This represents a continuation of the trend which was initiated by the FRG's program "to bring the families together." Based on the number of spouses, children and other family members still living in the countries

of origin, the experts feel that "the numbers will continue to increase." For another thing, restrictions against immigration such as presently exist in the case of EC member Greece will be lifted in 1988. Also, Portugal and Spain, two countries with high unemployment, joined the EC earlier this year--and the same travel regulations apply to nationals of both. The agreement granting associate EC membership to Turkey, which is to go into effect at the end of this year, will add still another country to the list.

The probable rise in unemployment by the end of this decade in Turkey, Portugal and Spain alone has been estimated at some 12 million by the Nuremberg Institute for Labor Market and Occupational Research which is part of the Federal Labor Office.

In the FRG, the number of unemployed increased to 2.3 million last year. This trend is all the more disheartening because industry did more hiring than firing last year for the first time in years--the annual average stood at about 200,000. This trend, which is not well understood by all of our citizens, is attributable to the fact that the labor force has increased more rapidly than the number of available jobs. For one thing, there still was a substantial number of young people entering the job market for the first time and for another the boom economy prompted retirees and, above all, women to look for jobs. And, judging by the most recent trend, the third factor is the increase in foreign immigration. But while the availability of German employees is limited--for demographic reasons, if for no other--and will continue to decline in coming years, the labor market is likely to encounter new problems as a result of the continuing and perhaps even increasing number of immigrants from foreign countries.

In the FRG, there is above-average unemployment among foreign nationals already. According to the Federal Labor Office, average unemployment among foreigners stands at about 14 percent (i.e. the percentage of unemployed of the non-independent workforce). This rate is about twice as high as for the German labor force. In some of the big cities, foreign nationals make up 25 percent or more of the jobless. During the past few months, a total of 250,000 foreigners living in the FRG were without a job. They were either drawing unemployment pay or receiving unemployment benefits. But since these benefits run out after a certain period of time, the load has to be picked up by social welfare more and more often. Although complete official figures for last year are not yet available, it is estimated that between 250,000 and 300,000 foreign nationals were on welfare--which is almost twice the number for 1980.

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CSO: 3620/222

POLITICAL

FEDERAL REPUBLIC OF GERMANY

ASPEN CONFERENCE: YOUNG GERMANS LESS CRITICAL OF U.S.

Bonn DIE WELT in German 14 Jan 86 p 1

Article by H.R. Karutz: "The Change in Youth's Perception of the United States"

Text: The anti-American trend among the young German intelligentsia, which characterized the 1970's, has been overcome: "The slogan about our anti-American youth is nonsense," Professor Bernhard Ostendorf (University of Munich) said at a meeting of the German-American Aspen Institute in Berlin. Leading scholars of American studies stated at the gathering that there are still critical questions, but no longer basic "ideological prejudice."

They agreed in their reports that interest in the United States, its history and its problems, is growing: "At some universities, American studies are already a field with limited admission," Ostendorf said. In Munich alone, 540 students are majoring in this field. Professor Carl-Ludwig Holtfrerich (Free University of Berlin) reported that "there are now 1,500 students enrolled at the Kennedy Institute."

After the conference of German and foreign scholars, which lasted several days, Professor Manfred Knapp (Bundeswehr College) described the present situation at a press conference: "There is a growing desire among students to form their own perception of the United States. Even among teachers, who were predominantly anti-American after Vietnam, a change can be noted. The times of ideology are over."

Professor Winfried Fluck (University of Constance) also reports a strong tendency not to "be as simplistic as formerly" in forming an opinion about the United States. The former German ambassador in Washington, Berndt von Staden, who now teaches at Georgetown University, praised the German field of American studies: "Publications about the United States as a rule are true to life and topical. If all this is also absorbed in Germany, it can only have a constructive influence. One thing at least is certain: after a certain low point, the mood vis-a-vis the United States has again become noticeably more positive."

The scientists voiced their concern, however, about the lack of professional openings and future opportunities for young American studies

experts and warned that if there is no demand for such scientists, some day the influx into this field of study would also drop: "In reality the parties, and also the media, could make good use of such professionals," Professor Ostendorf opined. Especially the media often lacked expert knowledge: "When I hear and see what myths and stereotypes still exist about the United States..."

The conferees also expressed their concern that south of the Main river "there is no U.S.history professorship on a permanent basis."

9917

CSO: 3620/223

POLITICAL

FINLAND

MINISTER COMMENTS ON EC OFFER OF TECHNOLOGY AGREEMENT

Helsinki HELSINGIN SANOMAT in Finnish 14 Jan 86 p 24

[Article: "EC Offers Finland a Technology Agreement"]

[Text] Brussels (Reuter)--Commission of the European Community (EC) has proposed that EC conclude separate research cooperation agreements with Finland and Norway as part of the efforts of the 12-nation community to strengthen research cooperation on high technology in Europe.

The proposed agreements attempt to provide organized guidelines for the exchange of research information and participation in the scientific research programs of both parties. According to the representative of the EC commission, they would signify an "important step toward a European technological community."

EC already has a completely negotiated corresponding agreement with Switzerland, and the results of the negotiations with Sweden were signed on Monday. The commission also intends to approach the government of Austria with the same type of negotiation proposal in the near future.

Not Connected With Eureka

According to the head of the trade policy department of the ministry of foreign affairs, Erkki Maentakanen, a general limited agreement concerning technical collaboration by Finland and the economic community is involved.

The agreement does not specifically define the collaboration provisions; rather, they will be arranged later. Each EFTA member will conclude a bilateral agreement with EC, but all of them will be roughly the same in content.

According to Maentakanen, the agreement is not connected with the Eureka venture, but is a separate agreement arrangement between the EFTA countries and the economic community.

"Naturally there are in the background research projects defined within the economic community on the basis of which it has been previously demonstrated that the enterprises and organizations of the EFTA countries should have the opportunity to join in the EC research projects. The agreement facilitates development in this direction," said Maentakanen on Monday.

13129/12790
CSO: 3617/61

POLITICAL

FINLAND

SKDL BODY REACTS FAVORABLY TO FINANCIAL SCRUTINY BILL

Helsinki HELSINGIN SANOMAT in Finnish 23 Jan 86 p 7

[Article: "More Publicity for Party Financing"]

[Text] As a matter of principle the Finnish People's Democratic League (SKDL) executive committee takes an affirmative attitude to any measures by which it is possible to eliminate the shortcomings of party financing. SKDL is ready to increase publicity on party financing and also to extend it beyond the central organization.

In a statement issued on the basis of a bill prepared in the Ministry of Justice, SKDL has, however, asserted that the main problem associated with the present election system is not specifically touched on in the bill.

In the opinion of SKDL, the principal problems of party financing are associated with the central position of the candidates in the present election system, as a result of which funds are channeled to the individual candidates or their unregistered support groups. Besides being uncontrolled by official supervision, this activity is also beyond the reach of surveillance by the party organization.

Furthermore, the present election system increases the inequality of the citizens inasmuch as the well-to-do have considerably better chances of setting themselves up as candidates than the low-and medium-income citizens, SKDL notes in its statement.

In the meeting the executive committee named a delegation that will visit the People's Republic of China. The visit of the delegation will take place by the invitation of China on 5-20 March of this year. The delegation will be led by SKDL General Secretary Reijo Kakela (Communist).

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CSO: 3617/61

POLITICAL

FINLAND

CP CHAIRMAN PROPOSES PARTY PROGRAM CHANGE FOR CONGRESS

Aalto Defends Card Exchange

Helsinki HELSINGIN SANOMAT in Finnish 17 Jan 86 p 13

[Text] Lapua (STT)--In his speech given in Lapua on Thursday Finnish Communist Party (SKP) chairman Arvo Aalto pointed out that refusal to exchange SKP membership cards would result in members' being excluded from the party.

"After the exchange of membership cards, members will be those who have valid new membership cards. Those who do not accept the new membership cards will be excluded from the party. There is no intermediate option," Aalto said.

Membership cards will be exchanged during the first half of this year. According to Aalto, the appeal made by "the divisive committee headed by Taisto Sinisalo and Jouko Kajanoja" to refrain from accepting the exchange of membership cards is aimed at all Communists.

According to Aalto, Sinisalo and Kajanoja are actually forcing Communists to exclude themselves from the party, knowing full well that the party could be dissolved in just that way. Aalto noted that Sinisalo and Kajanoja are behaving in this outrageous manner in the name of unity.

Stalinists Debate Formal Separating

Helsinki HELSINGIN SANOMAT in Finnish 19 Jan 86 p 34

[Article by Kyosti Karvonen: "Stalinist Feud Between Brothers"; first paragraph is HELSINGIN SANOMAT introduction]

[Text] The main body of Stalinists is trying to block the Uusimaa supporters of Markus Kainulainen who, under Kainulainen's leadership, are demanding a new party.

A joint workplace delegation composed of different kinds of Communists was on the train traveling from Moscow to Helsinki in December. It was returning from a trip made at the invitation of the CPSU.

One of the travelers, who were in a festive mood, an Uusimaa Stalinist district delegate, summed up his impressions of the Finnish Communist leaders. First, he called current SKP chairman Arvo Aalto a fascist, then former SKP chairman Jouko Kajanoja and, on top of that, former SKP vice chairman Taisto Sinisalo.

The only true Communist leader left was Markus Kainulainen, the district secretary of the Uusimaa district organization.

The violent outburst tellingly expressed the Stalinists' long-concealed internal feuding. In the SKP the ruling moderate majority is quick to regard the feuding as the sign of a split. The Stalinists readily portray Kainulainen, who has no significant support, as an isolated problem.

These past few months the Stalinist brother feud has been increasing at a fast and furious pace, even though the choice of words is a kind of communist jargon that is more restrained than charges of fascism.

With about 2,500 members, the Uusimaa district organization is the strongest of the eight Stalinist districts the moderates expelled in the fall. There are a total of about 10,000 members in the Stalinist districts. Additional Stalinist members are to be found in the moderate districts.

New or Old Party?

The differences between the main body, controlled by Sinisalo, and Kainulainen's extremist fringe come to a head on the issue of whether a new party is needed in Finland or whether there are the makings for a better one in the old party.

In the opinion of Kainulainen and his reduced staff, a new party should have been founded long ago and the time for it is now at the latest.

The Stalinist mainstream and the so-called Kajanoja unity forces are, on the other hand, trying to hang on with tooth and nail in the present SKP and they believe that they are capable of getting rid of the moderate SKP Leaders.

They were closest to founding a new party when the party dispute came to a head in 1969, at which time the Stalinists, who had marched out of the party congress, established a national committee as an embryo for a party.

With the official aid of the Communist Party of the Soviet Union (CPSU), the Stalinists returned to the party organs in 1970 and dissolved the committee to the annoyance of Kainulainen. In place of the committee the Stalinists adopted the newspaper TIEDONANTAJA as a national weapon to continue the fight for control of the SKP. Before then TIEDONANTAJA had been the Uusimaa district organ. Kainulainen is still chairman of the TIEDONANTAJA Association.

The will of the CPSU confirms the main body of Stalinists' belief in an improvement of the old party. The more distant relations between the CPSU's Scandinavian Department and Tehtaankatu [Soviet Embassy in Helsinki] are, the stronger the desire for a new party in the Stalinist camp.

The CPSU is urging the Stalinists to reject the actions of the disruptionists, "whether they be on the Right or on the Left." So, in the eyes of the CPSU Aalto and Kainulainen are to be equally condemned for deviating from the proper party line.

The will of the CPSU is not, however, the word of God to Kainulainen's people. In early December Igor Klochkov, who represented the CPSU at the Uusimaa special district meeting in Tikkurila, had occasion to experience this.

Kainulainen's mouthpiece, the UUDENMAAN TYOKANSA, deleted that part of Klochkov's speech that dealt with the situation in the SKP. The censor deleted it because the CPSU view conveyed by Klochkov deviated from Kainulainen's.

Charges of censorship later flew in both directions in the Stalinist camp. Kainulainen was accused of censoring speeches by his district's "dissidents" and vice versa. TIEDONANTAJA, for example, published only one passage from Kainulainen's vehement speech at the Lahti meeting last fall, in which Kainulainen gave the reasons for "the district committee's decisions."

Ring of Isolation Tightened

These past few months the Stalinist mainstream has had trouble getting a muzzle on some of its own Stalinists because the means for getting rid of the all-powerful district secretary of an all-powerful district organization are inadequate in the Stalinist organization.

The ring of isolation about Kainulainen has indeed been tightened. He was not chosen to serve on the 65-member "SKP organization committee" on which Sinisalo-Kajanoja axis supporters otherwise have a nearly 100-percent majority.

The Uusimaa district committee got to elect four representatives on the committee, but in the end there are several other members from Uusimaa on the committee whom the district committee was unable to choose.

There are eight "TIEDONANTAJA supporters" on the committee's executive committee, whereas there are five "Kajanoja supporters" on it. Not a single "Kainulainen supporter" qualified for it.

The fact that district chairman Aaron Nieminen and vice chairman Veikko Alho differ on policy is also indicative of the isolation of Kainulainen.

Kainulainen's people did not get the toughest of their motions accepted at the district meeting. Furthermore, a separate resolution not to demand that a new party be founded was passed at the meeting. Just the same, a clearly worded demand that one be founded is to be found in the resolutions published in the Kainulainen mouthpiece, UUDENMAAN TYOKANSA.

The difficulty in overturning the Uusimaa district is largely explained by the stooge organizations controlled by Kainulainen's staff.

The staff's ideological "braintrust" is the Effort Against War and Fascism, Ltd., which Kainulainen took over during the early days of the party dispute.

The temperance union, the Sotunkyla Banner, of whose board of directors, according to the association's records, at least Kainulainen and manager Erkki Matinlassi are members, controls perhaps the Uusimaa district's most important source of money.

The temperance union gets its money from the Helsinki Pavilion Amusement Center which operates in Vantaa. The district earlier transferred the pavilion's lease rights to the union which, in accordance with its wishes, turns over receipts for the use of the district. Among Communists the strong suspicion is smouldering that something has been omitted from the official bookkeeping.

A New "What Is to Be Done"

Kainulainen's staff has printed its views of "the history, current state of affairs and tasks of the communist movement in Finland" in a pamphlet, "What Is to Be Done." V.I. Lenin himself wrote the first "What Is to Be Done."

Kainulainen's "What Is to Be Done" is clearly worded: "We can draw only one conclusion from the party's situation: We need a new party. There are no other alternatives but to found a new Marxist-Leninist party."

In the opinion of the pamphlet's authors, "voters do not seriously consider accepting a faction that is not 'even a party' as an alternative."

"What Is to Be Done" does not approve of fraternization with Kajanoja's unity forces, which it regards as a suspect intelligentsia. According to the pamphlet, the main body of Stalinists is contemplating persons who have in practice proven themselves to be "incapable" for the new party leadership, that is, perhaps Kajanoja and his member of Parliament wife, Pirkko Turpeinen.

In the pamphlet they fear that "the new kind of unity" would eliminate one or two of the biggest industrial centers from the Stalinists' plans. They are Uusimaa and Turku.

Before, they said that the Turku district would go along with Uusimaa within the Stalinist majority, but now they say that the situation has changed. First, long-term district secretary of Turku Toivo Forss has gone into retirement. Former chief editor of TIEDONANTAJA Urho Jokinen, who used to be regarded as a kindred spirit of Kainulainen, has replaced him in the top district post.

The Stalinist main body fears that Kainulainen's bustling activities will needlessly deliver big propaganda weapons into the hands of the moderates and gnaw away at the credibility of the "unity strategy." This is why TIEDONANTAJA ruled out the pamphlet's views in such harsh terms.

Instead of a new party the main body is planning a "democratic front" which, as a registered faction, would get onto Yleisradio [Finnish Broadcasting Corporation] election programs and would obtain a party subsidy for its candidates, who might get into Parliament.

The main body is trying to get as many "martyr candidates" as possible into the elections. Esko-Juhani Tennila, who won a landslide victory in the last elections, has been the model example for this.

Kainulainen's people are threatening to enter the elections as their own party. If this threat is carried out, it will badly bleed the Stalinists in a strong support district.

Kainulainen refused to declare his intentions in the interview, instead kindly sending us a subscription application for UUDENMAAN TYOKANSA.

Politburo Attacks Stalinists

Helsinki HELSINGIN SANOMAT in Finnish 23 Jan 86 p 8

[Text] The SKP Politburo has accused the "SKP organization committee," established by the Stalinist minority, of openly setting itself up as an antiparty faction.

The Politburo gave as the reason for its charge of factionalism the fact that the Stalinist committee has urged SKP members to refuse to comply with the exchange of membership cards to be effected during the first half of this year. In communist parlance factionalism is one of the worst sins. Those who are accused of factionalism generally find themselves very suddenly outside of the party.

At the end of the year the moderate leadership gave Stalinist leaders a good month's time to withdraw from the committee. The time limit expired last week.

The leadership also urged the party cells to expel committee members if they do not agree to withdraw from it.

Not all the party cells have, at least as yet, replied to the letter containing the recommendation to expel them sent them by the moderate leaders.

According to moderate reports, so far decisions have been made in the party cells to expel 12 committee members. About 30 cells have refused to expel Stalinist leaders with their members and some of the cells have not yet dealt with the matter.

Those cells that have refused to expel them have been threatened with expulsion from the party at the Central Committee meeting to be held in February.

According to Stalinist estimates, so far decisions in the cells have been made to expel less than 10 members. There are 65 members on the committee.

Stalinist leader Taisto Sinisalo's assistant, Yrjo Hakanen, and Seppo Timonen, who belongs to the so-called unity forces, are from the best-known cells and have through them been expelled from the party.

Even before then, the moderate Vaasa district had expelled a party cell to which member of Parliament and committee member Sten Soderstrom belonged. Furthermore, the members of the Kainuu "unity committee" were expelled.

The squabbling factions of the Finnish Communists have not yet received invitations to the 27th CPSU Congress, which begins on 25 February.

According to one report, the communist parties of other countries have already received their invitations; however, the CPSU has supposedly not yet made a decision as to which Finnish Communist leaders will receive invitations.

Draft Allows Multiparty State

Helsinki HELSINGIN SANOMAT in Finnish 24 Jan 86 p 10

[Commentary by Kyosti Karvonen: "SKP Hones Its Doctrines for a New Credo: "Socialist Finland of Program Draft Would Allow Opposition Parties"]

[Text] To be led solely by moderates, the SKP in its new program draft has honed its old doctrines and at the same time increased the distance between it and the so-called key tenets of practical socialism.

Scheduled to go to members for discussion, the draft was published on Thursday.

The draft lays emphasis on cooperation with affiliated Western parties and on the party's right to advance along its own paths to socialism. The socialist Finland the SKP is aiming at would, for example, allow opposition party activities.

The draft urges that different kinds of opinions be permitted in the SKP and that they get away from their long troublesome authoritarian leadership. The party would not, however, be permitted to slip into a new power struggle.

Traditional Mentors

The draft lists Karl Marx, Friedrich Engels and V.I. Lenin as the party's traditional mentors. Their teachings "make it possible for us to resolve current as well as future problems," but these doctrines inseparably include "the unbiased, critical and self-critical examination of our own experiences and those of others."

The draft defines the SKP as "a revolutionary, Marxist worker party." In the 1969 program the SKP was still "a working class party whose activities are based on the scientific socialism developed by Marx, Engels and Lenin."

According to the 1969 program, the experiences of the socialist countries "will help us to find the correct solutions to problems in paving the way for socialism."

According to the new proposed program, relations with the parties of the socialist countries will afford the SKP an opportunity to become familiar with "the achievements and problems involved in the development of socialism."

The draft sees this future Finland as a self-governing society in the style of Yugoslavia whose brand of socialism, according to chairman Arvo Aalto, will have "Finnish and democratic features."

Relations with the CPSU

The draft emphasizes the SKP's to a great extent problematic relations with the CPSU, a fact to be noted in comparison with the 1969 program. These are based on "the scientific world view of the working class, the internationalism of the working class and proletarian internationalism," the draft specifies.

In communist jargon signifying the CPSU's leading role, "proletarian internationalism" was added to the draft at the last moment at Aalto's request. The draft, however, limits it to involving only relations with the CPSU.

The 1969 program did not mention proletarian internationalism, instead emphasizing "international communist unity."

The legacy of the congress of communist parties held in Berlin in 1976 is a reference to principles of cooperation among the parties which are: equality of status, nonintervention in the internal affairs of other parties and respect for each party's right to choose different paths to socialism.

The draft lays new emphasis on the affiliated parties of West Europe, which are for the SKP "natural and close partners in cooperation" and with whom there is reason to concentrate on exchanges of ideas and cooperation.

Who Will Lead the Alliance?

The draft expresses the desire for a democratic alliance as a transformer of the society, one which will strive to achieve a "leading position in the shaping of opinion and serve as the basis for the society's cultural atmosphere."

During the period of transition to socialism the core of this alliance will be the working class, which would, however, be part of a broad cooperative effort. The SKP is no longer pushing itself as the leading force of the alliance. In the 1969 program they still maintained that "the leading force in this cooperative effort can only be the party that practically demonstrates that it can best advance the cause of socialism." This formulation meant the SKP.

The draft makes changes in the old doctrines, promising that there would also be room for opposition parties in a socialist Finland. Alongside other rights, the draft promises the right to strike and the right "to engage in political activities to find alternative social solutions."

The 1969 program guaranteed the right to operate and the freedom to criticize only "to all parties that enjoy the support of the workers and to those various minorities that observe the constitution of the socialist state and the prevailing judicial system."

Energy, Banks and Communications

The draft proposes nationalization of large firms of the key branches of industry, the energy economy, the national communications system and the banks. Worker cooperatives and enterprises owned by regional self-government agencies would represent public property. Family-owned and small businesses would be private property.

On the occasion of the public announcement, chairman Aalto denied doubts that the draft is vague with regard to ideological principles. He stressed the fact that the decision to revise the program came into being even before the clarification of relations with the Stalinist minority began.

Aalto thought that the drafting of the program might have been "more entangled" if they had not gone into the clarification of relations. They intend to approve the program draft at the 21st party congress, to be held in 1987. The current program was approved by a majority vote at the 15th party congress.

Not all of those chosen to serve on the program committee by the Stalinists and the "unity forces" participated in its formulation. Most of the committee members are strict moderates.

Paper on Proposed Change

Helsinki HELSINGIN SANOMAT in Finnish 24 Jan 86 p 2

[Editorial: "SKP Cloaks Itself in a Red National Costume"]

[Text] The SKP did not get its first program before 1957, 40 years after its founding. The program was revised at the end of the following decade. Now, led by Arvo Aalto, the SKP has announced that a new draft will be the party program, which they intend to approve at the 1987 party congress.

In breaking with the Stalinists, chairman Aalto emphasized that the SKP will strive for a kind of socialism that has "Finnish features." The present party program is "more Finnish" or "more Eurocommunist" in appearance than is generally imagined.

In it, to be sure, they assure us that SKP activities will be based on the genuine socialism developed by Marx, Engels and Lenin, but the party declares itself to be a purely Marxist instead of a Marxist-Leninist worker party. They say that the experiences of the Soviet Union and the other socialist countries "will help us to find the correct solutions to problems in paving the way for socialism," but they also stress the decisiveness of our own special national features and the distinctive nature of Finland's path [to socialism].

The new party program is considerably more world-oriented in outlook than the program has been up to now. In spite of this, it exhibits less special attention to the Soviet Union and the CPSU than before.

They maintain that the SKP's closest international partners in cooperation are "the communist parties of different countries," among them the CPSU. With regard to relations with the affiliated parties of the socialist countries, they say that the latter "will afford the SKP an opportunity to become thoroughly familiar with the achievements and problems involved in establishing socialism." In ordinary language: The experiences of practical socialism will serve as both lessons and warnings.

They refer to those West European communist parties operating under the same kinds of social conditions as the SKP's natural and close partners in cooperation. Concentrating on joint activities with them is considered to be important. In the party program they recognize such historically key concepts as proletarian internationalism and the international solidarity of the working class without specifying their content. To say nothing of the world communist movement: They say nothing of the CPSU's leading position in it.

There is no longer a section in the new program on "Finland's path to socialism." It is replaced by a vague outline of "the opportunity for democratic change" through a common "alliance" of the working class, the various political and trade union organizations and people's movements. According to the program, this alliance would also strive to effect reforms outside of representative democracy and state influence and try to occupy a leading position in the climate of Finnish public opinion.

But what about the ways to achieve change and concrete objectives? They hope that they will merely be found somehow through increasing experience. In the new program the SKP does not push itself as the logical leader in the development of this change either. It cloaks communist ideas and ideals in the mantle of "struggling humanism," which obviously better corresponds to the conditions existing in a prosperous nation, instead of that of Marxist-Leninism and scientific socialism.

The new program draft offers more than enough stimulus for polemics to those Communists who adopt Soviet-style socialism as their model. In this sense the SKP is moving in a more heretical direction than before. It cannot, however, be claimed that the program is an open challenge. It does not criticize practical socialism, nor does it try to make new theoretical generalizations; instead, it tries to stick to Finnish reality and the utopias that spring from it.

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POLITICAL

FINLAND

POLL INDICATES SKDL WOULD LOSE NINE SEATS IF ELECTION HELD

Helsinki UUSI SUOMI in Finnish 21 Jan 86 p 10

[Article: "UUSI SUOMI Transformed Polls into Parliamentary Seats, Conservative and Center Parties Rising, SMP and SKDL Declining"]

[Text] The Conservative and Center parties would receive the most seats in parliament according to the most recent polls. The Conservative Party would receive 52 parliamentary seats, which would be an increase of eight seats over the 1983 parliamentary elections. The number of seats for the Center Party would increase by six.

The most seats would be lost by the SKDL [Finnish People's Democratic League], which has been in a steady decline in the past few years. It would receive only 18 seats in parliament. The drop from the last elections would be a full nine seats. The other big loser would be the Finnish Rural Party, which would lose seven seats.

UUSI SUOMI transformed the results of polls conducted this month by Finnish Gallup, the M-Data Center, and Taloustutkimus [Economic Research] into parliamentary seats. The average values of the results of the three polls were compared with the results of the last elections.

Parliamentary seats were calculated by election districts. The present election alliance prospects were taken into consideration in the calculations.

Left Wing Retained Quantitative Minority

The number of seats held by the left wing decreased from the present 84 to 76. This would mean that the left wing would have the least number of MP's it has ever had since the war. In spite of the increase in seats for the Conservative and Center parties, the left wing would retain a one-third quantitative minority in parliament.

The Greens would receive five MP's instead of the present two in parliament. The faction's support is heavily concentrated in Southern Finland. The Greens would obtain two MP's each from the Helsinki and Uusimaa elections districts and one from the southern election district of Turku.

The Constitutionlists would lose their only MP, or Georg C. Ehrnrooth would lose his seat in parliament. The Christians would lose three seats. On the other hand, the Swedish People's Party would gain one additional seat.

	Polls (%)	Change (EK83)	Polls (seats)	Change (EK83)
SDP	25.9	- 0.8	58	+ 1
SKDL	11.6	- 1.9	18	- 9
<u>Socialist Total</u>	<u>37.5</u>	<u>- 2.7</u>	<u>76</u>	<u>- 8</u>
KOK	22.8	+ 0.7	52	+ 8
KESK/LKP	18.9	+ 1.3	45	+ 6
SMP	6.6	- 3.3	10	- 7
RKP	5.1	+ 0.5	11	+ 1
VIHR	5.0	+ 2.7	5	+ 3
SKL	3.0	+ 0	1	- 2
POP	0.5	+ 0.1	--	- 1
<u>Non-socialist Total</u>	<u>42.5</u>	<u>+ 2.7</u>	<u>124</u>	<u>+ 8</u>

Poll percentages transformed into parliamentary seats indicate that the Communists would lose the most, 9 seats, and the Conservative Party would gain the the most, 8 seats.

Key:

EK83 = 1983 Parliamentary Elections
SDP = Social Democratic Party
SKDL = Finnish People's Democratic League
KOK = Conservative Party
KESK/LKP = Center Party/Liberal People's Party
SMP = Finnish Rural Party
RKP = Swedish People's Party
VIHR = Greens
SKL = Finnish Christian League
POP = Constitutionalist Right Wing Party

Suonio's Votes To Be Divided

The SDP would lose one seat from its present six in the Helsinki Election District according to the calculations. The situation of the incumbent MP's is alleviated by the fact that Kaarina Suonio, who received the most votes in the 1983 elections, is becoming the assistant city manager of Tampere and will not be running as a candidate.

The Conservative Party and the Greens will each receive one additional seat in Helsinki.

Virolainen To Be Elected

Johannes Virolainen (Center Party member), who lost his seat in the last elections, will be reelected to parliament from the Uusimaa Election District. Virolainen's position is improved by the fact that the Center Party will receive one additional seat from Uusimaa according to the calculations.

The Christian League would lose its only seat in Uusimaa, which is held by Impi Muroma. She does not intend to run again. The Conservative Party and the Greens will each receive one additional seat from Uusimaa. The SMP, on the other hand, will lose one of its seats.

The losers in the southern election district of Turku are the SKDL and the SMP, which both will lose one seat. This will mean that Martti Rattu (Rural Party member) will lose his seat in parliament.

The Conservative Party and the Center Party will gain an additional seat in the northern election district of Turku according to the calculations. The losers will be the SKDL and the Rural Party.

Hokkanen To Be Reelected

According to the polls, the Conservative Party would receive one additional seat in the northern election district of Hame. This would mean that Matti Hokkanen will be reelected to parliament. Hokkanen's reelection will be further helped by the fact that Tuulikki Petajaniemi will not run again. It appears that the SKDL will lose one of its three seats.

The SKDL would also lose a seat in the southern election district of Hame. The SDP would gain one. The situation would be the same in Central Finland or the SKDL would lose one seat and the SDP would gain one additional seat.

Ronkainen and Skon in Difficult Spot

The SMP and the Christian League would lose their only seats in the election district of Mikkeli. This would mean that Pentti Skon (Rural Party member) and Olavi Ronkainen (Christian League member) would lose their seats in parliament. The Conservative Party and the Center Party would gain an additional seat.

The SMP would lose its only seat, which has been held by Reino Jyrkila, in the Northern Karelia Election District. Instead, the Center Party would gain one additional seat. This would apparently mean that Markku Kauppinen, who was previously in parliament, would be reelected.

Former MP's in Strong Position in Kuopio

The situation is quite interesting in the Kuopio Election District. According to the calculations, the Conservative Party would receive one additional seat or two MP's. Incumbent MP Erkki Moisander is resigning and in competition for his seat are former Parliamentary Chairman Juuso Haikio and Juhani Laitinen, who lost his seat in the last elections.

The Center Party's Toivo Ylajarvi does not intend to run again. However, it is expected that the Center Party will gain one additional seat. The incumbent MP's will be reelected along with Party Secretary Seppo Kaariainen.

The SMP would lose one seat. Heikki Riihijarvi and Petter Savola, who defected from the Center Party, will be competing for the large number of votes left behind by Veikko Vennamo.

The Conservative and Center parties will gain one additional seat each in the election district of Oulu. The SMP and the SKDL will each lose one seat. In Lapland the SKDL would lose one seat. The Center Party would gain one additional seat.

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POLITICAL

NORWAY

COALITION SURVIVABILITY QUESTIONED, NEW THREATS FORESEEN

Oslo ARBEIDERBLADET in Norwegian 8 Jan 86 p 7

[Article by Tone Bratelli: "Plenty of Mine Fields"]

[Text] Will the fellowship of three coalition government parties hold up in the spring season which now starts in the Storting, or does Prime Minister Kare Willoch have to open his eyes to the formation of cracks? There will be many mine fields throughout the spring. The budget agreement with the Progress Party indicated a short-lived peace. The situation in the Storting can easily become an exploding pressure cooker.

Today, the Storting members come back to Oslo to start a new session. They will meet a nut that has not been cracked yet--Carl I. Hagen. The center parties will continue to refuse to go out to their voters and tell them that the Progress Party is part of the government's parliamentary base, even though this is supposedly so. Instead, the Center Party and the Christian People's Party try to get the Labor Party to establish some "crisis help" for the government to neutralize Hagen. A role they opposition does not want to assume.

Short-lived Joy

The relief over the budget agreement can prove to be a short-lived joy. The parliamentary leaders (Johan Buttedahl of Center Party and Harald Synnes of Christian People's Party) tell AFTENPOSTEN that they will fight for the government. They also came to VG with "hints regarding a closer cooperation with the Labor Party." This has AFTENPOSTEN and VG fighting each other, in itself an example of a tense parliamentary situation. Every word must be weighed carefully. A word at the wrong time can create trouble.

The center parties' problem are also signs of unrest from the grassroot level, signals which can increase in strength if several important concessions will be made to Hagen. Both in the Christian People's Party and Center Party there are groups which see clear disadvantages in a protracted relationship with the Conservatives, particularly if the Progress Party can tip the scales.

Disintegration

Editor Andreas Hagen has already predicted the government's end. The Center Party man stated that the coalition government under Prime Minister Kare Willoch's leadership will crumble in the course of one year. The shipwreck will most likely occur when the budget for 1987 will be prepared, he feels. The Center Party's main mouthpiece NATIONEN is also worried.

Key figures in the Christian People Party's organization would also rather see a break among the government parties than accept the Progress Party as part of the government's parliamentary base.

The government's dependency on the Progress Party could become the last straw. Among the Conservatives there is also grumbling over the center parties' erratic course in this matter. A survey ARBEIDERBLADET conducted among the Conservatives' county leaders showed that they were very irritated with the lack of flexibility among the center parties. Several consider the unyielding attitude of the Christian People's Party and the Center Party towards the Progress Party to be a problem for a continued government coalition.

At the same time the key Labor Party politicians breathed life into the discussion over a cooperation with the center parties. Party leader Gro Harlem Brundtland's New Year message was that the Labor Party has a sincere desire to work together with the center parties if they break loose from the Conservatives.

Wear and Tear

Little else wears down a relationship more than internal strife and discord. Even if the government collegium will seemingly hold together well, wear and tear problems are noticeable among the Storting members, in the basic organizations and in the papers.

The government can finally break up over an issue, where important political principles are at stake. These are this spring's mine fields. Controversial issues are, for instance, sanctions against South Africa and the media report. The question is whether Jan P. Syse can find calm waters out of each issue.

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POLITICAL

NORWAY

SOCIALIST-LEFT REJECTS PROPOSAL TO MERGE WITH LABOR PARTY

Oslo ARBEIDERBLADET in Norwegian 8 Jan 86 p 8

[Article by Oivind Nielsen: "Cold Shoulder from Socialist Left"]

[Text] Thorbjorn Berntsen's wish for a future merger between the Socialist Left Party and the Labor Party is receiving a cold shoulder from leading circles in the Socialist Left Party. The deputy leader of the Socialist Left, Tora Houg, tells ARBEIDERBLADET that there is no reason to discuss the question of a merger. She also rejects the idea that the Socialist Left should enter into a closer organizational cooperation with the Norwegian Federation of Trade Unions in a similar way as the Labor Party.

"It seems as though Thorbjorn Berntsen's wish for a merger on the Left is on a collision course with party leader Gro Harlem Brundtland's courting of the Center Party and the Christian People's Party," says Tora Houg.

No Rapprochement

She also disagrees with Berntsen in that there has been a political rapprochement between the Labor Party and the Socialist Left Party, which makes it more relevant to talk about a merger now than previously.

"I consider the idea of a political rapprochement to a large degree as an illusion against the background of the Labor Party's conduct as an opposition party. The discussion climate has indeed become better, we now talk more easily with each other than before. But the real political dividing lines continue to exist," Houg believes.

As examples of important issues which divide them she mentions the security policy and the attitude towards NATO membership. The Labor Party led Norway into the marriage with NATO and the United States, while the Socialist Left Party wants a liberation from the block policy and NATO. The Socialist Left Party also wants a break with the capitalist economic system which the Labor Party has continued to administer while in office. Tora Houg believes that these differences will become more pronounced as soon as the Labor Party should again come to power.

Socialist Left and Norwegian Federation of Trade Unions

Tora Houg also disagrees with Marit Nybakk of the Norwegian Civil Servants Association who indicated that instead of breaking its professional-political cooperation with the Labor Party the Norwegian Federation of Trade Unions should also offer the Socialist Left a closer cooperation. "This is not a feasible course to take to solve the dispute regarding the professional-political cooperation between the Norwegian Federation of Trade Unions and the Labor Party. The Norwegian Federation of Trade Unions should have a proper relationship with both the Labor Party, the Socialist Left and other parties. But the Norwegian Federation of Trade Unions should not have such a close organizational cooperation either with the Socialist Left Party or with any other party as it now has with the Labor Party. No party should bind the the labor movement through such an intimate contact," she says.

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POLITICAL

NORWAY

GRO HARLEM BRUNDTLAND SAYS LABOR OPEN TO COALITION TIES

Oslo ARBEIDERBLADET in Norwegian 9 Jan 86 p 9

[Article by Tone Bratelli: "Gro Open to Coalition"]

[Text] Labor Party leader Gro Harlem Brundtland keeps the door open for a government coalition with the center parties, i.e. the Christian People's Party and the Center Party. "I do not exclude a government coalition," she said at a press conference Wednesday.

Harlem Brundtland emphasized that she did not come with an offer. Such a coalition is not of current interest as long as the center parties are committed to the Conservatives or until there is a breakdown in the government coalition. She also believes that there are several government alternatives on the non-Socialist side. "I am opening a door for cooperation both within and outside a government," she says.

Position

When Harlem Brundtland does not exclude the possibility that a government coalition with the center parties could become a realistic matter, she says that this is a more clearly defined indication than any Labor Party leader has given before. She believes that the center parties will get just as far with their policy, if they broke off from the Conservatives. "There is a very large agreement in the Labor Party's and center parties' political programs," she says.

As an example Harlem Brundtland mentioned that there is apparently more agreement between the Center Party and the Labor Party in the agricultural policy than there is between the Center Party and the Conservatives. With regard to moral and ethical questions many Christian People Party voters are closer to the Labor Party than to the Conservatives. As another example she mentioned that the Labor Party has a liberal and open attitude towards private schools. "It is easy to work together with the center parties with regard to security policy," she said.

"Norwegian policy is in a very unclear situation," Harlem Brundtland said. I actually do not believe that the government situation will change in 1986. The non-Socialist parties have the majority, and I believe this term will be completed with a non-Socialist government in one form or another.

Gray Hair

Harlem Brundtland does not believe that the Labor Party and the Socialist Left Party will get together. "Both Thorbjorn Berntsen and I will indeed get gray hair or lose hair before this will become a realistic problem approach," she said. "Today we have a normal, relaxed relationship with the Socialist Left Party. But we are two different, independent parties."

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POLITICAL

NORWAY

CENTER PARTY LEADER DOUBTS LABOR PARTY SUITABLE PARTNER

Oslo ARBEIDERBLADET in Norwegian 9 Jan 86 p 9

[Article by Oivind Nielsen: "Not Trustworthy"]

[Text] "I find it difficult to consider Gro Harlem Brundtland's invitation for a coalition as trustworthy," the Center Party's parliamentary leader Johan Buttedahl tells ARBEIDERBLADET.

Buttedahl feels that it is a paradox that the Labor Party leader now finds it expedient to come with an invitation for a government coalition, while during the whole budget discussion in the fall the party would not participate in finding joint practical or political solutions which could isolate Carl I. Hagen.

Labor Party is Socialist

He also puts forward the traditional ideological dividing lines between the parties and reminds us of the fact that the Labor Party is a Socialist party, while the Center Party considers itself as non-Socialist.

"Here is a clear limitation for a coalition, even though I see many common features in the programs of the Labor Party and the Center Party," he says.

Buttedahl says that he rather suspects a new party tactics behind the Labor Party leader's invitation than a sincere desire for political cooperation. Besides, the Center Party entered the election with the position that the work in the three-party government will continue. The Center Party continues to stand by this commitment.

"Do you plan to enter also the next election with the position of a continued coalition with the Conservatives?"

"Yes, the two and a half years of government responsibility together with the Conservatives and the Christian People's Party have given us good experience. The Center Party has no plans of changing this coalition pattern."

New Tones

Still, Buttedahl considers the signals which have now come from the Labor Party leader as new and interesting: "It is a new phenomenon that the Labor Party declares its intention to work together with others in the government position. As we know, this has not happened previously, but this means that the party also has no experience to build from such a coalition. Therefore it is difficult to know what the party leader specifically means with her invitation," says Johan Buttedahl.

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POLITICAL

NORWAY

MOSCOW USED 'ARROGANT CONDESCENDING' TONE TOWARD BENKOW

Oslo AFTENPOSTEN in Norwegian 5 Feb 86 p 2

[Editorial: "Without Frontiers"]

[Text] Human rights know no frontiers. They apply to everyone and everywhere. It is peoples' duty and right to speak out for their brothers and sisters no matter where they may be -- in Norway, in the Soviet Union, Chile or South Africa.

This was the message heard on Monday from the podium of the Concert House when the Committee for Jews in the Soviet Union arranged its evening of solidarity with a national group which, in Soviet eyes, ought not to be a national group and which is therefore denied the most fundamental rights.

One really should not be surprised at the strong reaction in Moscow to this event, in the form of a "statement to the press" from the Soviet Embassy in Oslo. This shows that the criticism of the authorities' actions has hit home. At the same time, there is reason to be pleased that the embassy also considers such protests useful, since they write that "the event has not gone unnoticed back in the Soviet Union".

But it is scarcely uplifting that Moscow employs an arrogant and condescending tone toward leading Norwegian politicians, with Storting President Jo Benkow and Beiulf Steen at their head, who speak out openly in defense of human rights. This indicates that the Soviet leadership does not want to listen. Neither does superpower arrogance tally well with the solemn statements about good-neighborly relations, which are issued in Moscow on suitable occasions.

We too want Norway and the Soviets to be good neighbors and on good terms. As Benkow emphasized at the Concert House, good neighborliness can also turn into friendship, but is a poor friendship if one agrees with everything friends do, without speaking out.

It is not, as the Soviets maintain, interference in internal affairs to point out that individuals or groups are not receiving their rights. The authors of the press statement should look a little more closely at two documents which surely can be found in Soviet archives, the U.N. Declaration on Human Rights and the Final Act from Helsinki.

These two documents set no political boundaries for human rights, or any borders for defending them. And the signature of the Soviet Union is on both of them.

The important international conferences in Stockholm, Geneva and Vienna have received a new stimulus following the leadership change in Moscow and the summit meeting in November. But it doesn't help much that new documents are produced if the contents of these documents don't last. The Soviets can strengthen trust and contribute to reduced tensions by observing the agreements they have entered into. It is likewise difficult to have full trust in a country which treats its own citizens badly, and which arrogantly and condescendingly rebuffs those who point this out.

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POLITICAL

NORWAY

CENTER PARTY CHAIRMAN ADMITS PROBLEMS IN COALITION

Poll Shows Declining Support

Oslo AFTENPOSTEN in Norwegian 8 Feb 86 p 3

[Article: "Center Party Against Wind"]

[Text] "There is no doubt that the situation is worrisome for the Center Party. It is a little party in retreat." Bjørn Balstad of the Gallup/Norwegian Opinion Institute characterizes the situation in this way for the smallest of the three government parties. In addition, Balstad emphasizes that unrest and internal disagreement always manifest themselves in a negative direction in opinion polls, regardless of which party it is a question of. Bjørn Balstad's comment in connection with the Center Party's low support, of 4.8 percent, on the January barometer from Gallup/NOI.

Jakobsen Optimistic About Coalition

Oslo AFTENPOSTEN in Norwegian 8 Feb 86 p 3

[Article by Lars Hellberg: "Counterforces No Problem!"]

[Text] The Center Party's chairman, Johan J. Jakobsen, has registered only "to a minor extent" what others perceive as counterforces in the party. Jakobsen does not figure on any break in the coalition and he will not agree to the fact that the Center Party because of these counterforces represents the government's "weak link." But he agrees with AFTENPOSTEN that problems in working together are arising in relations between the government and Storting.

"Of course we do not think that the Center Party should be above the critical analysis all other parties are subjected to," he asserts in an interview with AFTENPOSTEN. We made a tryst with the party leader and transport and communications minister at Fornebu Airfield at the crack of dawn on Thursday morning. Then he was on the way to an exhibition in Trondheim, from where he traveled on to Stavanger and Jaeren in order to be called to account before the central committee.

United Party

Jakobsen insists that the party is more united than in a long time, and he is looking forward with pleasure to both the central committee meeting and the future. As AFTENPOSTEN's readers could read earlier in the week, he thinks that it is not serious when AFTENPOSTEN writes that he is leading an economic-interest party in decline.

[Question] The dean of the opinion pollsters, Bjørn Balstad of Gallup/NOI, asserts, after the fashion of AFTENPOSTEN, that the Center Party is a little party in decline. Is he also not serious when he points out that the reason is internal unrest?

[Answer] "I consider Balstad serious. It is true that the Center Party has been in decline the last decade, and it can partly be associated with internal unrest. But personally I am more occupied with the fact that we stopped the decline in the election. Last fall we received 7000 new votes, a strengthened Storting group and an extra seat in the government."

Common Goals

"When we put the opinion polls to shame in the election I think it is associated to a great extent with the fact that we appeared outwardly as a united party. Confidence in the party increases when we present a uniform profile and can fight for common goals. We have never stood so united as in the last election, and this has had a positive effect."

[Question] Should the Center Party, as your denunciation of AFTENPOSTEN provides an expression of, be above the critical analysis all other political parties are subjected to?

[Answer] "Of course not. This is not what I criticized AFTENPOSTEN for. But I will insist on my right to speak up when I think AFTENPOSTEN does not have examples for its characterizations. This applies, among other things, to that about the Center Party's being a one-sided special-interest party."

[Question] Do you sincerely believe that the Center Party is anything more than a special-interest party?

[Answer] "We have to go by the available analyses of the party's voter basis. The farmers are not so dominating an element as some would have it. If the Center Party had been a narrow special-interest party this would, for that matter, have had to manifest itself in our political actions. If our political positions are analyzed, I believe that AFTENPOSTEN will have problems in finding examples for claiming that we are one-sidedly occupied with countryside economics."

To Minor Extent

[Question] Why do you take shots at AFTENPOSTEN when it must be obvious to everyone that the Center Party's problem is counterforces in the party's midst?

[Answer] "I take shots at those who I think are giving an incorrect description of the party. Let me turn the tables. When AFTENPOSTEN shoots over the mark the paper must find itself being subjected to a critical analysis. I have noticed counterforces to a minor extent in the party. The agreement regarding the party's main strategy is striking in comparison with earlier times."

Critical Light

"When Center Party people direct a critical light at parts of the government's policy it is not any denunciation of the coalition itself. When AFTENPOSTEN after the election criticized the government's health and social policy there was no one who perceived this as a denunciation of the coalition as such."

[Question] But the counterforces in the Center Party have, then, a totally different origin. Let us take Lars Velsand as an example. The other day he summed up the situation as follows: "The Center Party's challenge and problem is that for over four years we have been directly coresponsible for the political course which has been followed in Norway." Is this not clear talk?

[Answer] "It certainly is clear talk. But it illustrates what I personally perceive as Velsand's main point, namely to place a critical light on his own party without thereby calling into question the need for a non-socialist coalition," Jakobsen says. Besides, he recommends an interview with the departing chairman of the Oppland Center Party, Einar Moe, in order to have clarified what was said at the annual meeting the statement was taken from.

[Question] In this round let us stick to Moe, who is now a personal secretary in the Environmental Protection Ministry. He sums up the situation as follows: "If the government does not gain a freer hand in district politics, its basis will disappear." Is it reasonable of a party which possesses the Transport and Communications, Agriculture, Fisheries and Environmental Protection ministries to deny responsibility for the government's district policy?

"Well Said"

[Answer] "Moe is giving both a critical analysis and a signal to the government. Let me put it another way: If the government's confidence is weakened in district Norway, the majority will crumble away. This was, as we know, almost that the government parties' decline in the districts had paved the way for a socialist government."

[Question] What then will the Center Party do in order to bring the government over to the offensive?

[Answer] "The Center Party is especially worried over population growth concentrated in Oslo, Akershus and the Stavanger area and an equivalent decline in population in the districts. The reason is to a great extent the high unemployment in 1983 and 1984. In the districts many left the local

milieu and moved to central areas in order to get work. At the same time the birth surplus is shrinking. It is more difficult than before to maintain the population pattern."

Considerable Effort

"On the more positive side, there is no doubt that the government has made a considerable effort to assure settlement. The catchwords are reduced inflation, a dramatic reduction in unemployment and increased growth in investment in the districts. The task now is to utilize these opportunities to create a basis for more balanced growth, which at the same time can ease the pressure on the Oslo region."

"The task today is greater and more difficult than before. We have to bank on new thinking in order to fulfill the longterm program's objective of preserving the 'main features of the settlement pattern.'"

[Question] How would you describe the Center Party's future prospects in a situation in which you are struggling with what others perceive as counterforces and fifth columnists?

[Answer] "First, fifth columnist is a very strong expression. According to the dictionary it means saboteur and traitor, and carried over to political life it becomes both strong and excessive."

Optimist

[Question] We used it as a characterization of non-socialist politicians who are consistently oriented in the direction of another government combination. But what about future prospects?

[Answer] "This will certainly shock AFTENPOSTEN, but I am an optimist. I think we have stopped 10 years of steady decline. We also have a good political platform, both in the Storting and the government. As party leader I am most happy about the fact that the 'regrowth' is better than in many years. I can refer to the pack of new capable politicians who have 'invaded' the government, Storting and secretariat. But AFTENPOSTEN certainly disagrees with this," he says mildly polemically.

Better Contact

[Question] Let us rather return to the starting point. Do you disagree that the coalition on the government plane is proceeding without a hitch, while problems are arising in the Storting, among other things, in relation to the counterforces in the Center Party?

[Answer] "I can confirm that the government coalition is proceeding well. I also agree that each time problems have arisen it has happened in relations between the government and the Storting. This part of the analysis I have no problems with. All government parties acknowledge that the forms of working together and of contact can be improved."

Center Party and Doubts

[Question] According to Anne Enger Lahnstein, AFTENPOSTEN has become a strain on the government coalition by "constantly sowing doubts regarding the Center Party's will to work together." When did we sow doubts regarding your will and that of the party leadership to work together?

[Answer] "I have noted that AFTENPOSTEN has never sown doubts regarding my attitude. The problem arises when AFTENPOSTEN almost by definition points out the Center Party as the government's weak link. The party sees this as unjust, not least because it was the Center Party's national congress which paved the way for broadening of the government in 1983. When AFTENPOSTEN characterizes the party as the weak link it can only contribute to impairing the coalition climate."

[Question] Do you think that AFTENPOSTEN should refrain from writing about the counterforces you have to combat, not least in the Storting group?

[Answer] "I of course do not want the Center Party to escape critical analysis. But AFTENPOSTEN also does not have to completely bristle when we retort. I will not as a matter of course accept counterforces as a designation for those who direct a critical light at part of the government's policy."

Impatience

"Impatience must not be confused with outbursts against the coalition. I will maintain that comparable dissatisfaction has also been expressed in the other two government parties, without this having resulted in the strong characterizations AFTENPOSTEN has used regarding the Center Party."

[Question] Is what you are now saying to be understood as a guarantee that a united Storting group will continue to fight for a non-socialist coalition?

[Answer] "No party leader, also neither Erling Norvik nor Kjell Magne Bondevik, can give such a guarantee. It is the results of the government's policy which will make the coalition credible and which will create the basis for a continuation also beyond 1989," Jakobsen says. Accordingly, he does not figure on any break in the term we are now in. He obviously thinks he has the counterforces with him on this.

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POLITICAL

NORWAY

LABOR PARTY YOUTH ORGANIZATION HOME OF RADICALS, FUTURE LEADERS

Oslo AFTENPOSTEN in Norwegian 8 Feb 86 p 3

[Article by Eivind G. Karlsen: "AUF [Labor Party Youth Organization] Chairmen with Heart on the Left: Labor Party's Brood Ready"]

[Text] The country's best known AUF member occupies NRK's [Norwegian Broadcasting Service's] director's chair at Marienlyst: Bjartmar Gjerde. But what has become of other previous chairmen and secretaries of the Labor Party's often so red and radical youth corps? They are in various more or less influential positions--or at the starting hole to move into the political power machinery if the opportunity should be offered. For that matter, the one who is closest to contending with Gjerde for the "status" named is the Storting's vice-president, Reiulf Steen.

Today scarcely many are aware of the fact that precisely /these/ [in italics] two were at one time in the same class in the Labor Party Youth Organization, or, more briefly, the Organization. For during the years from 1958 to 1961 Gjerde was chairman and Reiulf Steen secretary there.

Steen and Bye

The succeeding duo at the organization's top was no less interesting, in terms of political future. Then Steen moved up as AUF chairman with Ronald Bye as secretary. From 1969 to 1975 these two "camped" together in the Labor Party's leadership, as vice-chairman and party secretary, respectively. At the conflict-filled Labor Party national congress 11 years ago, when the chairmanship fight, as we know, was between Steen and Odvar Nordli, present Tourism Director Bye said thanks for the company. He was succeeded by another former AUF member, Ivar Leverås, a central committee member of the Organization through almost all the stormy 1960's.

NATO and Vietnam

The current party secretary accordingly took part in most of it, both when the AUF in earnest showed its colors against Norway's membership in NATO and in the commotion and excitement against the USA's war in Vietnam. Much of this left-wing radical opposition began in 1966-67, during the late

Ola Teigen's chairmanship of AUF. But the driving forces lay especially in the district group in Oslo.

One must undeniably agree with Haakon Lie when he in his book "...Slik Jeg Ser Det" ["As I See It"] names some names which later were to recur: Bjørn Skogstad Aamo, Bjørn Tore Godal, Arne Treholt, Rune Gerhardsen, Einar Førde and Jan Otto Hauge. Of these six--Lie characterizes them as "a group of students who were in sharp opposition to the party's foreign policy course"--two later became chairmen of the organization, namely Godal and Gerhardsen. Today the first named is chairman of the influential Oslo Labor Party, while Einar Gerhardsen's son is a secretary in LO's [Norwegian Federation of Trade Unions] economics department. It would be ill-considered to not count them among possible "men of the future" in the Labor Party. Einar Førde has a prominent position already as its second-in-command and a former cabinet minister, but he will hardly get further.

"Closer to Socialist People's Party"

Another of those named, Bjørn Skogstad Aamo, is now the "second-in-command" and director of the Districts Development Fund, and a former undersecretary in the Finance Ministry under Per Kleppe for six years. Haakon Lie refers to the fact that Skogstad Aamo wrote about the group then that "it actually was closer to the Socialist People's Party than the Norwegian Labor Party." There were surely more who made this reflection for themselves. And what was said really came true with another very active figure in the left phalanx, Arne Kielland. He was elected to the Storting for the Labor Party in 1969 but went over to represent the Socialist People's Party / Socialist Left Party in the period after the EC vote in 1972. The former Young Left man had made a flanking movement around the Labor Party.

Against EC and Party

Several of the AUF activists named played an odd role against the party leadership during the EC controversy, not least through the so-called AIK [Labor Movement's Information Committee] which according to traditional socialist terminology doubtlessly pursued wing activity. A bursting party stayed together at a certain halt; the exclusion of the Orientation circle along with, among others, Finn Gustavsen (the still topical, and now again as an editor!) took place, to be sure, just 10 years back in time. Incidentally, Gustavsen was chairman of the Oslo AUF in 1955-56.

After these--it can certainly safely be said, thought-provoking--hit-and-run forays a few decades ago, we make a jump back to the AUF at the liberation in 1945. The chairman of AUF at that time was Trygve Bratteli, the Labor Party chairman who certainly let the Labor Party with difficulty swallow the defeat in the EC issue, but who could of course accept this in his capacity as Norway's prime minister. He had little reason to forget those who deserted when it counted most--for the country. But Bratteli hid the resentment well as long as he lived.

Ought to Write

Bratteli's successors at the top of AUF were, first, Rolf Aakervik and Frank Andersen, both little known outside the party. The same cannot be said with the same right about those who held the organization's reins from 1952 to 1958, the former Oslo deputy mayor and longstanding director of OBOS [Oslo Housing and Savings Group], Ivar Mathisen, and the former editor of ARBEIDERBLADET, and now one of the NRK director's radio editors, Reidar Hirsti. Both have experienced so much in and with the Labor Party--have been, so to speak, right in the middle of internal party dramas--that they with candor certainly could complete and expand on the, as time went on, rich memoir accounts regarding DNA's [the Norwegian Labor Party's] postwar history. Or have the publishing house editors tried in vain--already?

Ready to Jump

For that matter, a former AUF chairman fits more than classwise in this respect: This concerns TIDEN Financial Director Hans Raastad. He succeeded Ola Teigen in 1969. Two years later Bjørn Tore Godal took over the baton. Then came Rune Gerhardsen--and then the first woman: Sissel Rønbeck. Her successor, Thorbjørn Jagland, is, incidentally, the party's report chairman and one of current Labor Party Leader Gro Harlem Brundtland's close associates. They are there, as they say, sort of ready to jump into influential political positions whenever the opportunities offer themselves.

Girl Among the Guys

The crowning example presents itself: Sissel Rønbeck, the girl among the guys, already former cabinet minister and now chairman of the Storting Ecclesiastical Affairs and Education Committee, and, no less important for a continued career in the party and politics, leader of the Labor Party's women's secretariat.

Without doubt a NATO opponent fervently from the heart, as so many of the others mentioned, but, largely speaking, with the telling taciturnity which characterizes the party after the "security policy's least common multiple" was found and thereby our NATO membership was no longer debated: We will get to hear more from the women's secretariat's leader.

Many Names in AUF

The AUF was founded in 1903 but was called the Norwegian Social Democratic Youth Alliance until 1921. In the contentious 20's the name was then the Norwegian Communist Youth Alliance, then the Left-Wing Communist Youth Alliance (!), and the Labor Party Youth Organization from 1927.

The following have been chairmen since 1945:

Trygve Bratteli, 1945-46.
Rolf Aakervik, 1946-49.
Frank Andersen, 1949-52.
Ivar Mathisen, 1952-55.
Reidar Hirsti, 1955-58.

Bjartmar Gjerde, 1958-61.
Reiulf Steen, 1961-64.
Ola Teigen, 1964-69.
Hans Raastad, 1969-71.
Bjørn Tore Godal, 1971-73.
Rune Gerhardsen, 1973-75.
Sissel Rønbeck, 1975-77.
Thorbjørn Jagland, 1977-81
Egil Knudsen, 1981-85.
Jens Stoltenberg, 1985-

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POLITICAL

PORTUGAL

POLL INDICATES FEW APPROVE OF EANES SUPPORT FOR ZENHA

Lisbon SEMANARIO in Portuguese 10 Jan 86 p 4

[Text] One of the questions in an exclusive NORMA/SEMANARIO poll concerned people's feelings on Gen Ramalho Eanes' support for presidential candidate Francisco Salgado Zenha. The field work for this poll was conducted from 7 to 9 January 1976.

Only 26.4 percent of those asked stated they agreed with the president's support for Zenha. Out of these, only 4.5 percent said they thought this was very good and 21.9 percent thought it to be merely good.

On the other hand, 55.1 percent felt it was bad or very bad for the president of the republic to give his support to presidential candidate Francisco Salgado Zanha: 35.1 percent felt it was bad and 20 percent felt it was very bad.

The results show that 16.1 percent said they did not know and 2.5 percent did not respond.

The poll also shows complete national homogeneity on this question.

In fact, 55.4 percent of those polled in Lisbon said they were against Eanes' position and 26 percent in favor of it. In Porto 48.9 percent said they were against it and 28.4 percent in favor of it. In Coimbra 57.7 percent said they were against and 22.6 percent agreed with Eanes.

Even in Evora, 53.3 percent of those polled were critical of him and only 29.4 percent supported his position.

In Viseu, 50.2 percent of those polled disagree and 22.3 percent agree.

It is curious to note the preferences expressed by the various electorates. Among the PSD electorate 79.6 percent disagree with the president and 4.6 percent agree. We find that 92.7 percent of the CDS electorate disagrees with the president and only 10.6 percent agrees. The PS electorate is 62.5 percent against and 13.4 percent in favor. The APU electorate is perfectly split at 47.1 percent against and 47.1 percent in favor.

In your opinion, was Gen Ramalho Eanes very right, right, wrong or very wrong in supporting presidential candidate Salgado Zenha?

	TOTAL	Lisbon	Porto	Coimbra	Evora	Vila Real	Viseu	Sex		Age		Social Class		
								Male	Female	18-44	45+	High	Middle	Low
Very right	4.5	5.1	3.4	3.9	3.8	2.3	3.3	7.8	1.7	7.2	2.0	8.5	3.1	-
Right	21.9	20.9	25.0	18.7	25.5	14.1	19.0	21.8	23.2	23.2	20.6	23.6	23.0	1.7
Wrong	35.1	35.0	33.9	20.8	41.6	21.4	24.5	33.8	36.2	32.2	23.8	32.8	31.5	83.5
Very wrong	20.0	20.4	15.0	36.9	11.7	36.8	25.7	20.5	19.5	22.5	17.6	24.6	19.6	.9
Do not know	16.1	16.2	16.0	17.3	15.4	25.1	6.3	13.3	18.4	11.3	20.6	10.1	19.1	13.9
Do not Resp.	2.5	2.4	1.7	2.4	2.1	.4	21.2	2.7	2.3	3.7	1.4	.3	3.7	-

It is only among the PRD electorate that we find 75.9 percent feeling it is good or very good while 19.4 percent feel it to be bad or very bad. Among those who abstained in October, 22.5 percent agree with the president's position while 44.1 percent are critical of it.

This poll, with its devastating results for Gen Eanes, shows the same homogeneity of opinion when broken down by sex, age and social class.

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POLITICAL

PORTUGAL

CAVACO SILVA ENJOYS HIGH APPROVAL RATING

Lisbon TEMPO in Portuguese 24 Jan 86 p 6

[Excerpt] On the eve of the presidential election, Prof Cavaco Silva's government is enjoying a phase of great confidence and harmony. This week the prime minister has been studying the results of an extensive poll ordered by his cabinet and conducted by NORMA. The poll shows that the public has the greatest confidence in his government. More than 55 percent of those polled believe there is no alternative to this government. Although only the prime minister has the poll's results, it is known, for example, that more than 60 percent of those polled favored private television stations. It is noteworthy that the government decided to ask parliamentary approval for a church run channel while it admitted the possibility of extending this opportunity to other private groups.

However, the government's tranquility stems from the poll's others known results. On the question of the prime minister's ability to grasp ideas, 69.2 percent of the respondents consider him to be very intelligent while only 1.6 percent questioned his intelligence and devotion to country. More than 50 percent (54.2 percent) feel he is cool headed and resolute in making important decisions for Portugal; 2.4 percent do not feel this way. On the question of his authority, 54.2 percent feel he has authority and only 3.7 percent disagree. In the area of government experience, 45.6 percent of the electorate that voted for the Socialist Party in October do not question his experience. Fifty two percent believe in his capacity for dialogue while 4.1 percent doubt it. The prime minister can govern in tranquility because only 3.6 percent of those polled doubt his ability to govern. Cavaco Silva can be completely at ease with his government because a majority of those polled believe it will last 4 years. It is also curious to note that a majority of those who voted for the PS and PRD in October believe in Cavaco Silva's authority and competence and in this government's effectiveness. The poll was conducted between the end of December and the beginning of January.

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POLITICAL

PORTUGAL

EEC POLL SHOWS LOW LEVEL OF SATISFACTION

Lisbon DIARIO DE NOTICIAS in Portuguese 22 Jan 86 p 2

[Text] The Portuguese are among the most unsatisfied of all the inhabitants of the 12 EEC countries. This was disclosed in a Eurobarometer (a public opinion polling institute that conducts polls at the European Commission's initiative) poll published in Brussels.

Despite the fact that the poll was conducted between 8 October and 5 November 1985, Portugal and Spain were included in the study for the first time.

According to the published poll, the Portuguese are in last place, after the Italians and Greeks, when it comes to satisfaction with life. The Danes, Luxembourgers and Dutch are the most satisfied. Spaniards fall among the average, between the Germans and the French.

Only 3 percent of the Portuguese are "very satisfied" with life. This is far from the 55 percent of all Danes who feel this way. It is also far from the 10 percent of all Italians and 13 percent of all Greeks upon whom life truly smiles.

The satisfaction with life indicator naturally cannot be disconnected from the future outlook figure. The only European Community countries where a majority of people believe that 1986 will be worse than 1985 are Portugal, Belgium and Greece.

There is a slight improvement over the previous results in the state of national pride category. Only the Belgians (due to identity crisis problems) and the Germans (for obvious historical reasons) scored lower than the Portuguese on national pride.

The Portuguese attitude toward societal change is also interesting to note. Given the above responses, it is no wonder that they are the most revolutionary: 11 percent of those polled suggested radical change, while only 7 percent of Italians and Greeks--who follow the Portuguese on this response--do likewise.

The topic of religion also allows us to draw interesting conclusions. Of the group of countries where 4 out of 10 people polled believe God is "very important", Portugal and Ireland head the list with 46 percent. Italy, Greece and Spain follow.

The Portuguese attitude toward Europe and the Community is in harmony with the attitude of the citizens of the other 12 [sic] (with the exception of Denmark) countries. The Portuguese favor the "idea" of a unified Europe. It is noteworthy that only the Italians are ahead of the Portuguese in this category while Luxembourgers are at the same level.

Despite the integrationist sentiment, only 42 percent of the Portuguese consider Portugal's accession to the European Community a "good thing", while 18 percent believe it is "neither good nor bad" and 10 percent believe it is a "bad thing".

Thirty percent of the Portuguese who were polled did not respond. This is a much higher figure than Spain's (the next highest), where only 16 percent of those polled refused to respond.

9935/9738

CSO: 3542/62

POLITICAL

PORTUGAL

BRIEFS

DAMAGE TO CAHORA BASSA--Acts of sabotage by the National Mozambican Resistance (RENAMO) destroyed more than 500 electric power pylons in just the districts of Manica and Sofala. This was reported by the dam's management which also indicated that 2 million contos will be required to repair the pylons. The Portuguese government says that it will not repair the pylons until Maputo can guarantee that the dam's grid system will no longer be the target of sabotage. This is clearly a condition the Mozambicans cannot meet. The Cahora-Bassa dam, which was designed as one of the world's most daring hydroelectric undertakings and a means to develop southern Africa, has not been able to reach its potential because of the political instability in Mozambique. [Text] [Lisbon TEMPO in Portuguese 17-23 Jan 86 P 30] 9935/9738

CSO: 3442/123

MILITARY

FEDERAL REPUBLIC OF GERMANY

MISSION, STRUCTURE OF NAVAL WEAPONS TRAINING CENTER DETAILED

Bonn WEHRTECHNIK in German Oct 85 pp 44-55

[Article by Rolf Werner: "Naval Weapons School: Central Naval Training Site for Adopted Weapon Systems"]

The naval weapons school (MWaS) trains all soldiers in the navy who are supposed to operate, install and maintain the weapons and weapon systems which have been adopted. The introduction of modern data processing systems in particular eliminated the traditional boundaries between the operation and installation of weapons. The weapons were integrated into systems. This requires constant adaptation to the new technologies by followup training of the trainers, in the organization of the training and in the infrastructure. Thus, in the past 20 years the face of the naval weapons school has steadily changed. The path from the artillery school and underwater weapons school to the naval weapons school could some day lead to a weapon system school clearly influenced by the new weapon systems which have or are yet to be introduced. The school's present situation, its tasks, opportunities and means are described below by Lt Cmdr Rolf Werner, inspectorate chief and deputy training commander at the MWaS. An interview with Capt Hans-Juergen Schaefer, school commander, follows.

In view of the development of modern weapon systems, the increase in their destructive force and the integration of soldiers into these modern technologies it is necessary to repeatedly focus on the real sense of the whole. It is a matter of putting political goals above fascination with technology. The political will to prevent war can only be successful if the potential threat can be countered by a credible deterrent.

Only individuals who in the case of self-defense can and want to fight with a view toward success serve the political goal of preventing war and in a national defense emergency the goal of ending the war.

All who procure, operate, maintain, install weapons and train on them must be oriented to these political maxims.

Mission

The MWaS trains officers, noncommissioned officers and men for the surface and underwater weapons sectors. The General Navy Office supplies the training instructions for the 151 different courses. The MWaS plays a role in the

development of these instructions. The school commander has a staff group and two classes to implement this mission.

While the greatest part of the courses serves to train the soldiers for their later assignment on ship or on land, the MWaS is also the training site for the soldiers in the moving fleet in the context of free training capacities. These soldiers are given more education in their tasks, trained and intensively familiarized in team training with the operative and tactical operational principles and procedures of modern combat. Soldiers in the army, officials of the Federal Border Guard-Sea, employees and officials in the defense sector and soldiers of friendly navies have an opportunity in special courses to be trained and further educated.

Nevertheless, the focus of the training is on so-called normal training. This takes place in close coordination with the fleet. At the end of the training the men and noncommissioned officers must be able, within the context of their tasks, to safely operate the weapon system which is designed for them. But they must also be in a position to carry out service tasks and repairs on a limited scale. Beyond that, the officers are taught the tactical doctrine with the appropriate operative and tactical operational principles and procedures. In this, training goes beyond the limits of the weapon system so that the officers as a team can better evaluate the tactical requirements of the surface and underwater weapon systems, judge them, and take them into consideration in making their decisions.

Organization

With the arrival of modern weapon systems in all flotillas of the fleet the distinctions between surface and underwater weapons became fluid. Acquiring, processing and relaying information were integrated in central command and weapon system computers.

The combining of the naval artillery school (MArtS) and the naval underwater weapons school (MUWS) under a single command was the logical outcome. Thus, today the school is organized into two classes and one staff group. Because of the physical separation, class A with the commander of the MWaS and staff is in Eckernförde, and class B in Kappeln has its own class staff.

Training Facilities and Training Means

Both classes are quartered in newly built barracks. They have modern housing areas, training facilities and care facilities.

Some 1,400 soldiers (permanent staff and students) and 300 civilian staff workers determine the course of training. The change of weapons generations in the 1970's resulted in high differentiation and specialization of the necessary technical personnel. Although old weapons remained in service in fleet units, new weapon systems were added.

The result of this for the school is the following mission situation:

- The student-teacher ratio is frequently one to one, for training must be given in
- 39 different weapon control systems,
- 31 different surface weapons

- 16 different underwater weapons
- 14 trainers and simulators.

The technology to be taught spans several generations of technology. Against this development, the course structure at the MWaS becomes understandable:

- 151 different courses
- course length from 3 days to 18 months
- number of students in the courses between 2 and 30 soldiers.

It is clear here how the procurement of weapons and equipment impacts training.

The limit of the capacity of the school under didactic, methodological and economic points of view has probably been reached. In planning and implementing procurement projects the effects on training in the material and personnel sector must be given much greater consideration.

Training in Class A

Class A trains soldiers in all ranks for

- underwater position finding systems
- torpedo and antisubmarine weapons
- mines and mine countermeasures
- the automated combat and information system (AGIS) of the 143/143 A fast patrol boat class
- underwater demolition training with and without diving operation and
- the maritime pentathletes.

In addition there are the courses in the context of training support and team training for the moving fleet units.

Central to the training activity are the specialized areas with their training facilities. It is essential that in addition to theory practice retains its considerable importance. The original weapons and their weapon control systems with the associated sensors and simulators are available. The individual specialized areas work closely together with the appropriate flotillas.

Simulators and Trainers

Process Trainer, Training Equipment for Underwater Weapons (AGUW)

The trainer is used in the officers' courses to practice theoretical knowledge.

Defense against mine threats, passing through sectors endangered by mines and antisubmarine warfare are taught. In this, the processes for defending against emerging sea-air threats are also practiced. The focus here is on formation training.

This facility no longer is appropriate to the level of today's technology. A modern trainer is being planned.

AGIS Simulator

Starting in 1975 the specialized area of fast patrol boats (SB) received the AGIS-S 143 training facility. In order to be able to train the system operating and control personnel of the new S 143A class the facility had to be modified. This took place effective 1982.

The simulation became the foundation of today's modern weapon system training. With the help of software for modern computers, called here "AGIS Simulation Training Program-Land" (APLA-SIM), almost all influences of the real environment and all functions and reactions of whatever system has been connected in can be simulated.

Via the training monitoring console the trainer can set up a comprehensive training scenario by hand or with magnetic tape in minutes.

The videosimulator provides the opportunity to put more than 50 videos with dynamic parameters on the screens.

Changing sea motion reflexes with an impact on target tracking and weapons effect as well as changing radar and torpedo sonar ranges can be entered.

Moreover, meteorological disturbances (rain clouds) and enemy disturbances (of an electronic kind), coastal contours and fixed contacts can be represented.

With Link 11 data transmission in the simulation (zero-time information) the whole use spectrum of the system can be practiced.

These simulation capabilities make training independent of target vehicles. Of course, it is also possible to do practical drilling via the optical fire control system (installed on the roof) with target aircraft.

"Go fast! Think Fast! Act fast!" This motto has not lost its validity for fast patrol boat drivers. In addition to mental agility, soldiers must mainly be taught to make full use of the system reaction times which last but a few seconds. This is of decisive importance for successful use of the boats.

Training Facilities in the Specialized Area of Underwater Defense Weapons (SP)

The specialized area of SP training is done in two distinct training sectors. On the one hand for the use of mines, and on the other for mine countermeasures. This produces three key training issues:

--Training for soldiers of the minelaying and sweeping forces flotilla (MS flotilla) on the

---fast minesweepers and inshore minesweepers with traditional mine-clearing equipment.

This is mechanical minesweeping gear for moored mines, magnetic and acoustic minesweeping gear for command-fired mines (ground mines).

---Class 331 B minehunters.

Detection of all types of mines with high frequency sonar devices

---Magnet skid guided boats of the K1 351 (TROIKA) HL boats.

Traditional mine-clearing with remote controlled magnet skids (unmanned small boats).

Training for soldiers of the fleet's boats and ships which are equipped for use with mines (for example, submarines, fast patrol boats, destroyers, and especially minesweepers)

--Training for soldiers in underwater demolition training with and without diving operation.

Two training facilities should be highlighted. The class 331 B minehunter trainer and the HL boat 351 training facility. In both training facilities it is a question of computer-assisted simulators which almost realistically simulate combat situations. Operators, maintenance personnel and boat command can train everything that is required later in actual practice.

The Class 331 B MiJ [minehunter] Trainer

Minehunting is based on the principle of underwater sound detection as generally familiar from antisubmarine operations. Strongly concentrated high frequency sound energy is aimed at the ocean floor. The reflected energy (reflection on the floor) makes it possible to represent the structure of the ocean floor and the objects which lie on the ocean floor (for example, mines, oil drums, stones, wrecks, and the like).

The hardware consists of:

- a process computer which has all programs available and controls them
- a drill command position with sonar sighting equipment, printer and x/y recorder which plots the movements of the MiJ boat in the operation sector
- a pilothouse for boat simulation
- a control desk for the PAP 104 mine demolition equipment (underwater drone).

The software makes the following possible:

- minehunter simulation using PAP 104 underwater drones
- sonar simulation with all the environmental parameters which affect its use, for example, nature of the ocean floor, sound propagation under water, ocean currents.

The simulation possibilities stem from 20 different environmental parameters which can be combined and stored in 60 different exercises with different degrees of difficulty.

Free input during the training makes the operation realistic:

- course and travel of the MiJ boat
- wind and current according to direction and intensity
- launching and guiding the PAP 104 to the target
- release of the mine destruction charge
- igniting the charge and destroying the mine.

The operations center (OPZ) is equipped with the original equipment and appropriately arranged in terms of space. The entire sonar system is likewise available. The integration of simulation with the onboard systems thus provides the opportunity to meet all the requirements of practice-based training. Operators, maintenance personnel and navigation thus experience

training in which an MiJ team is developed which can lead the successful operation against mines.

The advantage of minehunting, discovering and destroying the mines to be controlled independently of the detonating mechanism, is offset by a substantial disadvantage: the mines which cannot be discovered because of certain environmental factors. This share can only be controlled with improved mineclearing technology. Every moving ship changes the environment by its magnetic, acoustic and hydrodynamic fields. These changes are registered and analyzed by the mine. If the environmental changes measured agree with the parameters of the ship which is to be attacked the mine detonates. These ship fields can be simulated by mine-clearing equipment. The HL 351 weapon system utilizes this. With this system totally new ground was broken in mine-clearing technology. There is nothing comparable far and wide.

A guided boat controls three small unmanned minesweepers (HFG F1) in an area which is dangerous because of mines and where acoustic and magnetic ship fields are simulated.

The advantages are obvious:

- reducing the risk for personnel and material
- use of 4 sweepers with a crew of 40 men.

The HL 351 Training Facility

The HL 351 training facility meets all the requirements for simulating the guided boat and the HFG F 1 in operation against mines:

- simulation (SIM) of the guided boat and the guiding process with the HFG F 1 on the move and in operation
- SIM of all essential environmental parameters above water and under water which can influence use against mines
- SIM of mine threats that occur
- using situations to prepare operations and navigation as realistically as possible for combat situations in which fast reactions by the operator and correct decisions by the officers are required.

The linking of computer-assisted simulation of the overall comprehensive weapon system--including the mine detection equipment on the guided boat--with the original onboard facilities leads to optimal training that is based on practice. Here, too, OPZ teams of the guided boats can brush up and improve their skills in theory and practice.

Training Equipment for Antisubmarine Operation/Sonar (AGUS)

The AGUS was installed in 1980. In both "hardware" and "software" it provides full simulation for practice-oriented training of operators and OPZ teams:

- imitation of the acoustics of all integrated sonar systems,
- realistic physical SIM of the underwater sound propagation,
- display of the weapon deployment of all attached systems,
- use of genuine ship parameters for our own ships (destroyers, frigates, antisubmarine boats) and for the target submarines in dynamics, target sounds and target and echo strength.

The central computer with 128 K "administers" all programs and data files. It controls the overall running of programs and centrally takes on the SIM tasks which are the same for all sensors and effectors.

Nine satellite computers (64K) are divided up into

- three SIM computers for sonar,
- three SIM computers for weapons,
- three main computer control rooms for controlling the training control consoles in the auditorium with situation image preparation from the consoles and the large image display (laser projector).

The peripheral systems include the operation centers of the integrated weapon systems

- OPZ 1--Bremen class frigate
- OPZ 2--Hamburg class destroyer
- OPZ 3--Thetis class antisubmarine boat.

Experiences with AGUS training emphatically confirm the concept of simulator training. The training in the AGUS with students and with the antisubmarine teams of the fleet units have shown that effective weapon deployment can also be achieved with older weapons.

The virtually real training with realistic SIM of the sound propagation, the weapons, ships and targets, the success control of the operations and weapon deployments and the high availability at low cost speak in favor of the simulator concept in antisubmarine operations.

Training Equipment: Submarine Weapon System (AWU 206)

Since the time the AWU 206 was given over to the school in 1978 the specialized area of submarines (UB) has had one of the most modern simulators in NATO. It is considered to be the highest level of simulation facilities because intellectual and manual skills as well as cooperation in the submarine team are obvious and objectively assessable.

The operations center (OPZ) consists in terms of dimensions and arrangements of equipment precisely of the components of a class 206 submarine. The OPZ absorbs the operation team of a boat (13 soldiers). The boat is free in its movements, limits on freedom of action for the commanding officer are the same as those which he would encounter in reality.

The auditorium is used for the large image display of the preparation and followup of the training. Here three monitoring control devices move surface vehicles with their own dynamics, detection equipment and weapons in such a way that the OPZ team can establish its combat situation via the original sensors.

From this all surface and underwater scenarios which are conceivable for a submarine can be produced.

Opportunities for Variation

- Environment

Some 72 different environmental displays with differences in the view through the periscope, brightness, sea movement, nature of the ocean floor, sound propagation, and so forth

--different regions of the sea

--targets and sensor

minefields, ships, minesweepers, units, floating/flying submarine chaser systems, and the like

The target display is done realistically in the appropriate situation depending on the environment, for example, day, dusk, speed, distance. The underwater situation with its acoustic peculiarities is also simulated.

--various target effectors

The antisubmarine weapons of the targets are especially interesting. These determine the threat radius of the submarine chaser and are realistically simulated.

All sensor information including the view through the periscope is produced and displayed synthetically, but realistically. Thus, the commanding officer really sees a frigate through the periscope. The detonation noises of an antisubmarine weapon are also realistically produced in the "submarine."

The training in the AWU 206 simulator has clearly improved the level of training in the submarine flotilla. Submarines today go into sea training with better preparation following training in the AWU 206.

Class B

"I decree:

A ship artillery school is to be established in the spring of this year in Sonderborg. A captain will be in charge as commander. I grant him the jurisdictional disciplinary and leave authority of a commander in a division of seaman recruits. The men who are commanded in the aforementioned school will wear hatbands with the inscription: 'Ship Artillery School'

30 March 1907'

This can be read in "sailing directions" for class B. It proves: in spite of the most modern technology and substantial changes in their organization the naval "artillerymen" have their tradition unaltered in their consciousness. This is good.

On the first page of the brochure "Training Opportunity Naval Weapons School Class B" there is the following:

"The function of securing the peace can be fulfilled by the Bundeswehr only if it is armed for every emergency, armed not only in respect to weapons and equipment, but--and that is the most important aspect--also in the consciousness of the soldiers."

Former President

Walter Scheel

5 April 1978

Building this bridge between yesterday and today, the synthesis of good tradition and modern military tradition characterizes the esteem in the training process and the understanding of the mission.

Training Mission and Organization

The mission of class B comprises the training of soldiers in surface weapons of the floating units and in antiaircraft weapons for the defense of the naval air bases.

Beyond that, officials of the Federal Border Guard-Sea and the armament sector are often guests who utilize the training opportunity.

The moving fleet is likewise supported and the soldiers of friendly navies are trained.

The commander of the class overseas an instructional staff, five training inspectorates and four specialized areas. These are the specialized areas of operational principles and procedures (EV), weapon control (WL), weapon technology (W) and electrical engineering, electronics, natural sciences.

Some 340 soldiers and civilian staff workers shape the training in up to 69 different courses. Some 400 to 600 learners attend the class each quarter.

Training Facilities and Training Means

The existing facilities, weapons and equipment serve two overlapping goals:
--The soldiers are supposed to be qualified to safely operate and successfully use the weapon system,
--and in the event of breakdowns they are supposed to be able to take steps to make the equipment or weapon once again operational.

28 radar and fire control devices

24 guns of different calibers

surface-to-surface, surface-to-air guided missiles

chaff systems and trainers/simulators for the training of operators,

maintenance personnel and marksmanship training are made available for this.

The guns are installed in the main school complex in Kappeln and also in the outside facility, which is 6 km away, in the Olpenitz base on the coast.

There the training facilities are located with the fire control systems. For instruction in operational principles and procedures of surface warfare there is, in addition to the modern computer-controlled simulator for surface firing methods (SUEs), a training facility for land target marksmanship training and the opportunity to practice tactical decisions in combat (tactical floor).

The Simulator for Surface Weapon Firing Methods (SUEs)

Since May 1981 class B has had a modern training facility with the SUEs at which officers and chief petty officers are trained intensively and realistically. In addition, firing methods which have been adopted can be tested and new methods tried out.

The SUEs has a central computer which can represent five different naval fire control systems. The students are first trained in the original facilities and then go to the SUEs in order to practice the procedures for the appropriate weapon delivery. Here we are dealing with weapon systems from the fast patrol boat to the F-122 frigate. Future fire control systems and weapons can be put into the central computer's program.

The SUEs had a control room with central large image display and auditorium, an electronics room and two battery command posts. In the control room there are two training command consoles to direct training. The electronics room is equipped with the optical simulators, the control room control, the battery command posts control and additional operator's position (for example, programming position). With the optics control position, the weapons control position, the optics monitor for the battery commander and the radar consoles of the fire control systems the battery command posts are adapted to real conditions.

Training Organization

In organizing a training exercise the training director has the opportunity to select in all a maximum of three targets per scenario from five surface target models, a guided missile model with five flight profiles and three air targets with eight profiles. The environmental conditions such as daylight, vision, weather, sea motion may be selected at will, as can the size of the sector of ocean and the target speeds and courses. During an exercise complicated conditions can be introduced, such as radar failure, obstruction of vision by smoke, electronic jamming (ECM) in all conceivable variations, weapon failure and changes in target data (course and movement) including the enemy's opening fire with guns and/or guided missiles.

Unit consoles in the battery command posts make possible the display of various fire control systems. The operating components of the original are given consideration to the extent that operating errors are possible and their effects appear as in the original system.

There is an air surveillance radar position, a position for air and surface target warfare, an optics and weapon control position. The optics control position has a monitor with color target display as can also be encountered in the relevant original system.

Weapon employment can be realistically practiced from the weapon control position, both the use of guns and guided missiles.

The overall use of surface weapons is not conceivable in a modern combat scenario without electronic jamming measures (ECM). Thus, various ECM were included in the program. Then the operators have the opportunity to successfully implement a firing task under these conditions with the appropriate countermeasures.

Experiences with the SUEs show the following positive results:

- The firing sections in the ocean proceed more smoothly and efficiently
- the fleet can train its boat and ship teams more intensively
- practice firing can be better prepared

--knowledge of processes can be brushed up, strengthened and expanded
--realistic combat pictures also guide the teams into border situation which can not practically be experienced onboard.

Summary Evaluation of the Simulator/Trainer Concept

With the modern simulator concept in all specialized areas classes A and B of the MWaS have successfully taken a timely route which has already paid off.

There are the following advantages for up-to-date training:

--A subjective evaluation of one's own level of training by boat or ship handling has been replaced by an objective assessment.

--The good training opportunities result in higher serviceability of the units.

--The teaching and learning content in regular training can be checked on the simulator and be adapted without delay to the requirements in combat.

--The scarce funds are used in a more cost-favorable manner because costly hours of operation at sea are saved.

Of course:

--In the simulator the soldiers do not get their sea legs. The physical and mental demands of onboard operation cannot be simulated. Training at sea under combatlike conditions can not be avoided.

International Interest

It can come as no surprise that the MWaS has become the "Mecca" of the international and national world of experts. But general public interest is also great. A look at the statistics shows this in a very impressive way. The "Survey of Other Services" for last year lists the following: 8,428 overnights (without the students); 35 meetings with 841 participants; 145 groups with 3,084 visitors. The current year shows a similar trend. A look at the guest list for this year confirms the international interest: delegations from the Netherlands, Japan, Brazil, Australia, Thailand, Norway, Ireland, Malaysia, Great Britain and the United States visited the school. In respect to the interest of the maritime commanders of NATO and friendly navies mention should be made of the visit by Admiral McDonald, supreme commander for the Atlantic (SAGLANT). These visits are often at the expense of the training.

On 30 June of this year an "Open Door Day" took place on which the mission of the school was presented at 24 stations to the public. More than 8,000 visitors saw a colorful program. At the same time Passau district visited the school with a large delegation of 150 citizens in order to emphasize the partnership with the school.

If work with the public is a part of the military mission then the school can also report in this instance: "Mission accomplished."

There is one fact which in the future will also require a high degree of flexibility and adaptability of training at the MWaS.

From Humboldt to Einstein encyclopedic knowledge doubled. From Einstein to today this knowledge has multiplied 150 times. The innovative thrusts in technology show that knowledge doubles every 3 to 5 years.

Against this background of learning and personnel bottlenecks the following requirements will apply in the future:

- economic utilization of the available personnel with the help of modern technology and training procedures,
- fewer weapon systems,
- more standardization in the adopted systems,
- system-based training levels with greater exchange between onboard experts and land-based trainers.

The MWaS got its present structure through the integration of computer technology into weapon technology. The move to complex computer-assisted command and weapons systems was essential. It will have to continue in this vein in order to be able to counter the threat on land, at sea and from the air with a credible deterrent in the future, too.

The MWaS with its classes is integrated into this development.

[Interview with Capt Hans-Juergen Schaefer]

After receiving his secondary school diploma in 1957 Capt Hans-Juergen Schaefer entered the navy. Training to be a naval officer and special training in weapons were followed by the most diverse onboard and land assignments, including fast patrol boat guard officer, onboard training officer, personnel officer, artillery officer on the frigate Luebeck, ship's weapon system officer on the destroyer Luetjens, in the command staff on the navy and as commanding officer of the destroyer Rommel. After attending the U.S. Naval War College he was commander of the 1st destroyer squadron, the standard training unit of the fleet and then deputy commander of the destroyer flotilla. Since fall 1984 Capt H.-J. Schaefer, with whom WEHRTECHNIK [wt] had the following interview, has been the commander of the MWaS.

wt: Until the beginning of the 1970's the underwater weapons school and the navy's artillery school were still two separate facilities which really had little to do with one another. Was there a special reason to combine the two schools into one weapons school?

Captain Schaefer: Now, that is not quite correct that the two schools had little to do with one another. Yet both did provide weapons training.

Effective 1 October 1974 the naval underwater weapons school (MUWS) as class A was joined with the naval artillery school (MArtS) as class B into the naval weapons school (MWaS) under a single school commander.

The merger made it possible to save command personnel.

But the development into weapon systems was certainly the decisive factor. Take for example the "automated combat and information system" (AGIS) of our modern fast patrol boats. Sensors and all effectors are integrated in this computer-assisted data processing system. At which school should this system have been taught according to the old organizational scheme? The development moves toward a system school. The MWaS is the beginning.

wt: Has the organization which was established at that time proven its value?

Captain Schaefer: From my vantage point the merger is a logical consequence of technical development into weapon systems. The step taken has turned out to be correct. At present we are working on a new procedures trainer for the school. There is no question that procedures must be practiced in both classes. It would not be economically defensible to establish such a procedures trainer for each class.

wt: Does the separation in terms of location--one class in Eckernfoerde, one in Kappeln and for the latter even off-base facilities in the vicinity of Olpentiz--have any noticeable disruptive effect? Does this then cause you to travel a great deal from one class to the other?

Captain Schaefer: The physical separation consists of 20 minutes by automobile. This is not a problem in the age of the automobile and telephone. Many a commander in the Bundeswehr would call himself lucky if his units were only 27km apart.

wt: The surface weapons school--since newly built--was structured according to the most up-to-date considerations. Is the underwater weapons school--class A--not perhaps lagging somewhat behind? Or was it possible for it to catch up in every respect?

Captain Schaefer: The classes are almost equally old. Moving the naval underwater weapons school from Flensburg to Eckernfoerde was completed in the period from 1964 to 1968. School operation for all underwater weapons was started in Eckernfoerde in 1968. In the same year instruction in subareas started in Kappeln. In 1970 the staff of the naval artillery school shifted from Kiel-Holtenau to Kappeln.

Class A in no way lags behind class B. Both classes have very modern facilities and simulators.

wt: In both classes you are training crew, noncommissioned officer and officer grades. Since the navy is also largely dependent on soldiers subject to obligatory military service, the first question in this regard is: Is it really worthwhile to plow relatively costly training into a draftee who will return to civilian life after a few months onboard?

Captain Schaefer: With that you are actually asking about the economics of compulsory military service. In terms of percentages the navy has the fewest draftees. After combined basic and specialized training of 3 months the draftee serves 1 year onboard. The sailor, in contrast to the two other

branches, must join his unit already trained. Training at the work site is not possible because of the onboard billeting arrangements.

st: The petty officer second class and chief petty officer do what a technical master in weapon control systems and weapons does. Do you then receive at the school ratings for further training who are adequately prepared in theory and practice, or are there difficulties?

Captain Schaefer: The chief petty officers are masters whereas I would compare the petty officers second class with a journeyman. Satisfying demand is a problem of the Navy enlisted personnel office. There are personnel bottlenecks especially in the electronics assignment series. Previously the gun chief or sonar man were operator and repairman in one person. Today we train operators and maintenance personnel separately; this reduces the demand for highly training electronic technicians.

wt: Is it still the case that for example good electronic technicians or weapons systems technicians in these grades are enticed away by civilian companies and--at better pay--use the knowledge and know-how which the navy has invested in them?

Captain Schaefer: Well trained soldiers--especially electronic technicians--have good opportunities in civilian life. They are clearly also better paid there. But it is not a matter of being enticed away.

wt: Formerly the artillery or torpedo officer, who naturally also had to understand something about the technology of his system, was essentially someone who made tactical use of his weapon. Is that still the case in this form or is the technician now dominant?

Captain Schaefer: We distinguish in the areas mentioned between the officer on troop duty and the officer of the military-technical service. The company-grade officers are trained for the tactical employment of the weapon systems while the officers of the military-technical service become experienced technicians. The trend goes beyond that into preservation, replaceable units. After a "go"--"no go" test the module is replaced in the case of "no go." The weapons technician/electronic technician stays on land to an increasingly greater extent in the case of boat flotillas, or system support groups of trained technicians are brought together on the squadron's own tender.

wt: Does the weapon employment officer still have great opportunities to have an impact at all or does the programmed system and the automatic weapon relieve him of the essential tasks?

Captain Schaefer: In our time the reaction time has become extremely short. Computers, data processing systems and automatic weapons provide support, give assistance in making decisions, indeed they have become indispensable. The decisions are reserved for the officer. The essential recallable knowledge of the officer has clearly become more extensive.

wt: Even the technically sophisticated surface target torpedoes are present only on one type of fast patrol boat (S-143). Do you think this kind of torpedo in the long run will have a place on surface boats and ships?

Captain Schaefer: The same torpedo will also be fired by our submarines, and in the future it will continue to be the primary weapon on our submarines. On the other hand, with modernization which is envisaged even the class 143 fast patrol boats will have to fire these effective weapons. This decision comes as a result of other priorities, funds and not least space and weight.

wt: There was a time when the ship's gun was written off; everything concentrated only on the surface target and air target missiles. The most modern warships at home and abroad also appear increasingly more with new guns. What place do you give the onboard gun in the future?

Captain Schaefer: In the future we will not be able to do without the artillery pieces. There are tasks which can only be done with a gun; for example, the famous shot across the bow is either impossible or impractical with a missile. In times of crisis the artillery gains in importance. Land target firing can be done only with a gun; for the present the gun cannot be dispensed with for air defense.

wt: For years simulators have been the highly-praised and acknowledged help in training for weapons and weapon systems. Are classes A and B adequately equipped with simulators or are many desires still open?

Captain Schaefer: The MWaS has the most modern simulators in the navy. But simulator development must keep up with fast technical advances. That is a very costly requirement. Example: The SUEs was established in order, among other things, to practice the most varied reserve and emergency procedures in the employment of artillery. We now have weapon systems which technically no longer provide for these services and emergency procedures. Thus, the SUEs offers more than is required for training our most modern units.

The demand for new simulators goes along with the new weapon systems. Training in our simulators has had a demonstrably positive effect on the serviceability of our fleet. Beyond that, costly days at sea are saved. Thus, the simulators quickly pay for themselves; but they cannot replace cruising.

wt: High points following school training always used to be the firing sectors or other employment sectors, for example submarine chasing. Is that still the case now? The school no longer has its own vehicles, how is the question of the ships and boats necessary for exercises handled?

Captain Schaefer: An important training sector even today is practical training at sea. After the theoretical training in school come training to be a battery chief, torpedo firing sectors or antisubmarine training on units which are made available for this by the fleet. The MWaS has the Langeoog training boat which is suitable for fire training with 40-mm guns without electronic fire control systems, uses of mines, diving and underwater demolition training.

wt: What is the situation now with target displays? With shooting air targets, missile firing, torpedo firing, artillery fire?

Captain Schaefer: Target display for training sectors at sea has not changed for the MWaS. Air target shooting is implemented on an air sack which is dragged behind an airplane and has a hit scorer, and surface target shooting is done at a towed aircraft. For the requirements at school this is adequate; for in that case it is primarily a matter of practicing the procedure under onboard regulations with live ammunition.

A large area of ocean with a measured firing range is necessary for missile firing. The flight behavior of the missile must be recorded and evaluated using telemetry. Our navy uses French target ranges in the Atlantic and the Mediterranean, a U.S. firing range in the Caribbean and opportunities which the English offer.

Air targets are represented by means of drones--unmanned airplanes--which are appropriate to the task in question. There are drones which fly in the supersonic range and those which can also cause electronic interference. The drones are remotely controlled and can also simulate missile profiles and seaskimmers and diving guided missiles. There are those which plunge at the end of their flight time and are thus lost, and others which descend at the end of the flight time on a parachute and can be used again.

Surface target shooting with missiles at fast unmanned remote-controlled boats or at a ship or boat hulk can be implemented. Balloons or flare grenades are aids which can be used for target display.

Torpedo shooting sectors are--as usual--implemented against surface ships and submarines in which case the torpedo must under run its target. The navy is working on an underwater target device--a kind of underwater drone--. This device is to be carried on a support ship and will make the use of torpedoes against submarines more realistic.

wt: Is the small western Baltic Sea adequate for realistic weapon employment exercises, or is this shifted to more spacious ocean areas?

Captain Schaefer: That depends very much on the weapon use. Torpedo shooting and artillery fire with small calibers can be implemented fine in the Baltic Sea. The destroyers prefer the artillery firing range in the North Sea. And for missile firing the navy uses the above-mentioned foreign firing ranges.

wt: To what extent, because of its diverse experiences, does the MWaS influence employment procedures, weapons developments, programming of weapon employment systems and also design and introduction of new weapon simulators?

Captain Schaefer: Technical developments are taken care of on behalf of the navy by the naval equipment department of the General Navy Office, whereas tactical procedures are promoted by and large by the sea-tactical training detachment. For all new developments which affect our spheres of responsibility the MWaS assigns experts who cooperate on the appropriate

committees. The experience of our experts is also very much in demand in industry.

wt: If we consider the scope of the weapons school, the question unconsciously arises whether you as commander still have the time to get personally involved in details, such as officer training, or do you have just time to "hover over it?"

Captain Schaefer: It is precisely officer training and also the expanded skilled training--the so-called B course--which is very dear to my heart. "Hovering" is not applicable. Of course, I would often wish for more time for training.

wt: As commander have you established key points in a certain area to which you wish to devote your special attention or are there only tasks of equal value?

Captain Schaefer: For me commanding also means convincing; that is, I am primarily concerned with addressing the soldiers correctly, explaining our mission, imbuing courage and creating enthusiasm. Thus, one main area is: Motivation.

That is not at all simple because our young men often speak a completely different language, and first a common wavelength must be found.

This main point also includes developing the sense of community and team spirit. In our profession joint performance has clear priority over individual performance.

wt: If at the moment you were permitted to express three wishes for each of the training detachments, what would they be for class A and for class B?

Captain Schaefer: Here I would not like to distinguish between the two classes, but rather wish the same for both:

1. To our planners I direct the urgent request to give more consideration to training when introducing new weapon systems. At present we must be in a position to be able to offer 151 different courses at the MWaS. There are courses which are taken by only three students. This is not only uneconomical, but it also causes great difficulties in making suitable trainers and instructors available.
2. In the infrastructure sector I would wish for both classes a large multipurpose hall. Administering the oath with frequently more than several hundred guests or even large induction examinations miss their purpose if rain and storm distract attention. Beyond that, such a hall could also be used for training.
3. For training I need men with fresh onboard experience. There are too many trainers whose sea time was more than 10 years ago. A regular alternation between onboard and ship use is extremely important for just this training.

wt: One last question to you as the person in charge of discipline: Class B in particular was organized somewhat "Off the beaten track." Does that cause discipline problems--especially in respect to shaping free time? What is the picture in general in this regard in your sphere of responsibility?

Captain Schaefer: We deal with this situation by offering very extensive care. There are more than 10 different sport groups such as handball, soccer, volleyball, swimming, riflery, tennis, sailing, kayak, athletic sports, judo, cross-country running, and the like.

Facilities such as an indoor swimming pool, field house with power trainer, sauna with solarium, amateur workshop, library, bicycle lending, darkroom facilities, automobile hobby room are available to individuals after duty.

We have built a bowling alley and a barbecue area for socializing. The retreat facility is suitable for group and auditorium festivities.

Social events beyond the garrison sector are organized by a leisure time office, for example bus trips to Hamburg to a big soccer match, military chaplaincy, Bundeswehr social work, Bundeswehr unit, career management service and garrison administration provide help and support.

Upon beginning service the young soldiers are informed about all these facilities. But this large array of leisure time possibilities should not cause any false impression. All of it is intended for the very limited leisure time. First and foremost the student at the MWaS is supposed to learn to master his craft in order to become a full member of the onboard crew.

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MILITARY

FINLAND

ARMED FORCES CONDUCT BIGGEST EXERCISE SINCE WORLD WAR II

Twelve Thousand Participate

Helsinki UUSI SUOMI in Finnish 19 Jan 86 p 9

[Article: "12,000 Men Take Stock of Winter"]

[Text] Finland's largest military exercise in 40 years, 'Oak Tree-86', actually began yesterday on the east side of Hyvinkaa. The Defense Forces' new tank equipment, whose sturdiness has even surprised the infantry tank battalion, received its baptism by fire in the 12,000-man exercise.

The setting of the combat operations, which began yesterday, was traditional: the yellows -- who numbered 2,000 -- conducted strikes against the defense of the blues. The yellow troops penetrated the defense of the blues at noon with a two-pronged helicopter strike on the terrain of Hyvinkaa airport.

The exercise is directed by Major General Keijo Tuominen, commander of the Southern Finland Military District, and he is satisfied with the combat start made on Saturday.

"Spirits are high among the troops and duties have been accomplished conscientiously. We have operated according to the plans and the start has been without problems," says Tuominen.

The severe subzero weather has not hindered the exercise according to him. On the other hand, clear skies somewhat hindered the Air Force.

Tank Equipment Tested

On Saturday a feeling was also acquired for the Defense Forces' new tank equipment even if it was not used to full capacity in this peacetime exercise. The Russian-made T-72 tanks turned out to be so sturdy that several of the planned runs were not made so that too much forest would not be destroyed in the tracks of the 8-meter long and 3.7-meter wide tanks.

There is a total of 30 aircraft and helicopters in the exercise and they are at the disposal of the blues as well as the yellows. The primary use of the helicopters is for paratroop landings, reconnaissance, and surveillance.

Frostproof Uniforms

Troops participating in the exercise are comprised of 8,000 recruits, a little less than 3,000 reservists, and more than 1,000 regular personnel. Special attention has been given to the maintenance and supply of troops in this exercise.

The troops are serviced and supplied by 10 military vans, among other things, which move about the terrain primarily in the evening and at night.

If the expression "the Army marches on its stomach" holds true now, there are good reasons for it: 146,000 kilos of food have been allocated for a week or approximately 2 kilos a day per man.

Subzero weather has been taken into consideration in the distribution of equipment and 1,000 cubic meters of logs have been allocated for the heating of tents.

In addition to the normal equipment, recruits have been provided with felt-lined rubber boots in this exercise lasting six days and costing 4 million markkaa. Frostproof uniforms protect the drivers of motorized vehicles from the the icy winds.

Even Horses Are Needed

A couple thousand vehicles, of which a portion is rented from outside the Defense Forces, are being used in this exercise. In addition to them, there are also nine horses for use on terrain without roads.

There is a doctor for every 1,000 men in the exercise and there are also medical officers and medical corpsmen.

Foreign military attaches will also familiarize themselves with this exercise next Monday and Tuesday. They will observe the exercise on skis and will stay the night in tents together with the troops.

Many Foreign Observers

Helsinki UUSI SUOMI in Finnish 22 Jan 86 p 7

[Article by Tapani Vaananen: "Foreign Military Attaches Observed Winter Exercises, A Battle for the Backwoods"]

[Text] Now even the superpowers or at least their military attaches have seen how a battle is waged in the backwoods. The international participation in 'Oak Tree-86' occurred on Monday night from Hikia in the direction of Nyry and Maittoinen.

Twenty two military attaches from 15 countries spent the night observing the night combat operations of Finnish troops.

"All the arrangements were exemplary and the operations went well," commented the Soviet military attache, Colonel Vitali Metlenko.

The program for the military attaches was tight. All the attaches present are accredited to the Finnish Government, but, nevertheless, there was no desire to waste their time.

"On Monday night they observed the combat until 8:30 pm, after which they were offered a meal in the field mess. The guests were accommodated in tents in the middle of the forest. There was a combat demonstration in the morning immediately after breakfast," says Major Kalevi Palosaari.

Chinese Interested in Price

"The emphasis of the whole trip was on the observation of combat operations and not rest. No one present, however, complained about the shortness or the cold of the night even though there was enough frost to go around," continues Palosaari.

Arctic conditions, however, continued to occupy their minds. Military Attache Xue Dijin of the People's Republic of China inquired enthusiastically about the prices of Finnish thermal clothing and sleeping bags. Perhaps, unexpected markets are opening up for the Finnish clothing industry in that part of the world.

"Your Combat Ability in The Dark Is Good"

U.S. Military Attache Ralf Miller was especially interested in the cooperation of the Army and the Air Force under difficult terrain and weather conditions.

"However, this aspect was not demonstrated. On the other hand, the combat ability of the Finns in the dark was good. This was observed with interest," stated Miller.

Military Attache Gunther Mueller-Hellwig of the Federal Republic of Germany was amazed by the capabilities of the Finnish infantry.

"Phenomenal Skiers"

"The protective and coping abilities of the Finns under these conditions are phenomenal. The skill with which young soldiers handle skis is especially astounding. It appears that you have resolved the problems of combat under these conditions," thinks Mueller-Hellwig.

The structure of the exercise was interesting and effective in the opinion of all the attaches. The idea of Oak Tree -86 is an attack of the motorized yellow troops of a superpower against the still somewhat disorganized troops of the blues, as though against Finland's troops.

The Soviet military attache, Colonel Metlenko, assessed the arrangements of the exercise diplomatically.

"Indeed, as you know, there are two sides in every military exercise."

"Faces Covered with Frozen Mist"

The soldiers participating in the combat demonstration remained rather unimpressed by their prestigious guests. A group of three MTLP-tanks participated in the morning demonstration in the area of Nyry. The cold weather did not slow down the men.

"These tanks will function regardless of how cold the weather may be. The drivers or observers have it the worst. They must observe the situation with their head outside of the tank," says tank Lieutenant Pekka Toveri.

"Indeed, this is a matter of running around with one's face covered with frozen mist, but today, Tuesday, has been easier. There is no frost now since the temperature is a full 10 degrees," says Sergeant-Major Jarmo Haapamaki.

Ten Men Frostbitten

The men of the tank group are comprised of regular personnel and also students from the non-commissioned officers' school.

Oak Tree -86 has, indeed, provided good conditions for testing the degree to which equipment and the organization can withstand subzero weather. It is amazing that everything went relatively well. Only 10 men were frostbitten even though nearly 13,000 men participated in the exercise.

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MILITARY

NORWAY

STRAY RESPONDS TO CRITICS OF SHIP VISIT, NATO NUCLEAR POLICIES

Oslo Labor Party Debate

Oslo AFTENPOSTEN in Norwegian 15 Feb 86 p 8

[Article by Morten Malmø: "Labor Party Dispute Regarding Fleet Visits and Nuclear Weapons"]

[Text] "We must assure ourselves of the fact that foreign vessels which visit Norwegian ports do not have nuclear weapons on board. But I will not take a position now on in which form this is to take place," the leader of the Oslo Labor Party, Bjørn Tore Godal, emphasizes to AFTENPOSTEN. The AUF [Labor Party Youth Organization] in Oslo wants allied warships which visit Norway to make a declaration to the effect that the ship is not carrying nuclear weapons.

The way is clear for a dispute regarding this when the Oslo Labor Party holds its annual meeting in two weeks. The Oslo AUF, the Women's Committee of the Oslo Labor Party and the Metal Industry's Party Group have all sent in motions that the annual meeting should adopt the demand for such a written declaration.

The leader of the Oslo party, Bjørn Tore Godal, recalls the so-called "Bratteli Doctrine," which is to the effect that the authorities assume that allied warships are not bringing nuclear weapons with them to Norwegian ports. This worked from 1975 to 1985. He thinks that the Willoch government drew away from this view when the American battleship "Iowa" visited Norway last year.

AUF Persistently Working

The Labor Party Youth Organization is one of the strongest persistent workers for getting the party leadership to make the "Bratteli Doctrine" stricter and clearer. The leader of the Labor Party Youth Organization in Oslo, Turid Birkeland, says to AFTENPOSTEN:

"It is the 'Iowa' visit which got the Oslo AUF to take up this issue. The fact that at that time it was not possible to obtain a declaration to the effect that the ship was not carrying nuclear weapons results in the need for

defining the 'Bratteli Doctrine.' For this reason we have chosen to take the issue up at the annual meeting of the Oslo Labor Party, and I am counting on this question's coming up at the Labor Party's national congress in 1987."

Will Insist Strongly

[Question] Can the Oslo Labor Party manage to reach an internal compromise in this issue?

[Answer] "The AUF in Oslo will strongly insist on its resolution, and I am counting on great support for our view, because the labor movement and women's movement have about the same opinion. Whether the discussion of the issue at the annual meeting could produce a compromise it is difficult to say now," Turid Birkeland emphasizes.

Socialist Left Leader's Attack

Oslo AFTENPOSTEN in Norwegian 18 Feb 86 p 3

[Article by Thorleif Andreassen: "Koritzinsky: Agreements with USA a Threat"]

[Text] "Reinforcement agreements with the USA do not serve Norwegian security. On the contrary. For the Socialist Left Party, Norway has become a more dangerous country to live in because we are integrated into NATO's advanced nuclear strategy, which opens the door to first use of these weapons." The Socialist Left Party's leader, Storting Representative Theo Koritzinsky, says this to AFTENPOSTEN.

He cautions strongly against the American presence in the north and has taken vigorously to retorting to AFTENPOSTEN, which in its editorial column wrote that the Socialist Left Party will not be satisfied before we lie on our backs and fawn for the Russians.

"Such claims are misleading and biased and pollute this serious debate. We fear that the increased American presence in the Norwegian Sea is a new strategy which can shatter the low tension policy in the northern territory. This summer AFTENPOSTEN itself wrote in its commentary column that NATO is trying out a 'new strategy' in the north," Koritzinsky says.

[Question] If it is detrimental out of regard for the low tension policy that allied, especially American, military forces operate this far north, should, then, the Norwegian navy and the Norwegian air force not be strengthened in order, in a given situation, to be able to utilize reinforcement convoys along the coast--and to protect those ports and airfields in North Norway where it has been planned to receive help from outside?

[Answer] "No, we do not see any automatic connection between the Soviet strength buildup on the Kola Peninsula and at Murmansk and any desire on the Soviets' part to occupy Norway. We also want a defense system, but a clearly defensive defense system."

[Question] This is what we have, then?

[Answer] "No, it must be detached from NATO's advanced nuclear strategy-- a defense system freed from reinforcement agreements with the USA. It is agreements that the Socialist Left Party believes make Norwegian territory more vulnerable in a crisis or war situation."

[Question] What do you think is the Soviet leaders' objective with their heavy naval stakes in the north?

[Answer] "It was begun in the middle of the 1970's and was an attempt on the Soviets' part to balance what the Soviet Union believed was American strategic superiority. The Russians' logic here is the same that provides grounds for the buildup in the West. It is this logic which the Socialist Left Party is attacking, because it leads to an increased buildup and increased tension."

[Question] What do you put into the low tension policy? Is it to fall back in order to avoid confrontations as the Soviet Union's northern fleet increases its strength and capacity to advance deeper down along the Norwegian coast? Or is it to attempt to maintain a certain military balance with increased allied naval presence in the same waters?

[Answer] "Generally speaking, the balance exists. There are always individual geographical areas and individual types of weapons in which there is a certain imbalance. With about 50,000 nuclear warheads in the Soviet Union and USA and with enormous overkill capacity, the main challenge today is not to build up over the buildup level which already exists."

Stray: USSR Real Problem

Oslo AFTENPOSTEN in Norwegian 20 Feb 86 p 2

[Editorial: "Warning from Stray"]

[Text] The problem in our ocean areas is not whether we should demand a declaration from naval vessels which call on Norwegian ports, to the effect that they are not carrying nuclear weapons. The serious thing for Norway and the Western alliance is that the Soviet northern fleet has gained a steadily stronger foothold off our coasts.

This should be a truism for anyone who has followed the development through the 1970's and up to the present. Nevertheless, some of the defense and security policy debate has become so remote from reality that Foreign Affairs Minister Sverre Stray in an address recently had to caution against the growing distrust regarding what could be hidden behind allied port calls in Norway.

The foreign affairs minister's caution is extremely timely. There is no reasonable basis to sow doubts regarding Norway's traditional nuclear weapons policy and what we assume in the fleet visits of allies and others. Our policy in this area is respected, as part of Scandinavian low tension, and

it can only be a lack of controversial issues which makes the organization No to Nuclear Weapons, together with the left wing in Norwegian politics, loudly demand /guarantees/ [in italics] against "nuclear calls."

We do not want to take away from the activists everything which makes their lives worth living. It will also not have an effect on our central authorities' policy that individual coastal municipalities and county groups of the Labor Party practically demand the inspection of ships by the port authority. But we agree with the foreign affairs minister that a change in the practice which has been followed up to now will create a stir, both in relations with our neighboring countries and in relations with our allies. It would also--as Stray points out--be more difficult, or impossible, to maintain dealings with and to conduct exercises together with allied naval forces.

There is reason to suspect Socialist Left Party Leader Theo Koritzinsky of having understood this last point, when he in an interview with us recently declares his dissatisfaction with the fact that allied naval forces are exercising off Troms and that we have reinforcement agreements with the USA. He is also offended because we called this wanting to lying on one's back and fawn for the Russians. Nevertheless, we have to uphold the characterization. There is no other "new advanced strategy" in the Norwegian Sea than that which for a long time has consisted in the fact that the Russians have been moving their impressive navy constantly farther westward and southward. Koritzinsky, the other left-wing forces, and No to Nuclear Weapons tacitly accept this.

However, neither responsible Norway nor the Western alliance can sit passively and let the Soviet Union get to dominate our ocean areas and communication lines over the Atlantic. For this reason the demand for a "nuclear weapons guarantee" in calls of ships is only to run away from the serious problems which confront us in the north and which should occupy to a greater extent anyone who has in mind the security of the West and the balance between East and West.

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MILITARY

NORWAY

DEFENSE CHIEF: NORDIC COUNTRIES UNILATERALLY YIELD TO USSR

Oslo AFTENPOSTEN in Norwegian 7 Feb 86 p 9

[Article by Olaf Trygge Storvik: "Defense Chief: Norway at Strategic Focus"]

[Text] "Norway is at the crossing point of a number of strategic interests between East and West and for this reason will be a confrontation area."

"From an early point in time the country, in any conflict, will be drawn in as an area for advanced defense of Mother Russia," Armed Forces Chief Fredrik Bull-Hansen said at the Atlantic Ocean Committee's seminar on Thursday.

Bull-Hansen thought that the Soviet Union had drawn three major conclusions from the experiences of the Second World War: Military actions must no longer be permitted to involve Soviet soil. The battle must be shifted as quickly as possible, or preferably beforehand, to the adversary's territory. For this reason, Soviet forces have established "buffers" against the enemy both in the south and west in order to protect the fatherland.

Norwegian Sea

He also believed that some parts of the Soviet navy have established such a "buffer" in the Norwegian Sea, although some naval experts think that this is an expression which cannot be used regarding the state of affairs at sea. Nevertheless, the term can be used, because the land power of Russia has traditionally thought like this in a strategic context, he thought. Next, Moscow decided to build up a nuclear military force. This force was to be put into a position to both be able to fight and win a possible nuclear war if such a situation were to arise.

Thirdly, it is the Soviet Union's both expressed and clearly demonstrated goal in war and peace to be able to follow up these interests over the whole globe if this should become necessary. For this reason, after the Second World War steps were taken to carry out Czar Peter the Great's eager ambitions of breaking out of the situation of being a land power.

For this reason, both defensive and offensive naval forces have been built up. These have been especially localized on the Kola Peninsula, where the

largest concentration of naval forces on the entire globe is found today, according to the armed forces chief. The Soviet Union does not have many possibilities for exits to the oceans, and two of the best are located on each side of Norway. One goes from the Baltic, where the Soviet Union has established most of its shipbuilding industry, while the other goes from the Kola Peninsula.

Norway at Focus

This fact puts Norwegian territory at the center of the focus of many strategic interests and confronts the country with formidable defense problems for which there are few parallels anywhere else in the world. The Norwegian position is totally unique, and Bull-Hansen emphasized this as a quite central basis for why Norway must stake relatively more than other countries on maintaining a strong defense. He referred here to the proposal he recently presented regarding a modernized and adequate defense system within NATO up to the turn of the century. He pointed out also that it would be a great advantage to the Soviet Union if Norway gradually moved in the direction of neutrality or acted in reserved fashion toward important aspects of the NATO alliance. "This is no speculation on my part, but has been said right out by Moscow itself," he said. Up to now the Scandinavian countries have gone very far in imposing unilateral reductions on themselves.

"But it is in my opinion doubtful that further unilateral measures will affect the Soviet leadership and reduce the military capacity which has been built up at high cost," he said. With clear reference to possible political plans of working for so-called nuclear-free zones, he thought that it is considerably more important to concern oneself with where nuclear weapons can strike than where they are deployed in peace time. Here one is confronted with important verification problems.

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MILITARY

NORWAY

INTERPELLATION ON DEFENSE REFLECTS SOCIALIST LEFT'S WEAKNESS

Oslo AFTENPOSTEN in Norwegian 8 Feb 86 p 2

[Editorial: "High Tension in Socialist Left Party"]

[Text] The Socialist Left Party's leader, Theo Koritzinsky, has delivered an interpellation to the defense minister in which he expresses concern on behalf of the traditional low tension in the north. It is an alleged "new American strategy" which is the Socialist Left leader's pretext for attempting to create security policy unrest in a new area.

The Socialist Left Party launched this claim without special success or benefit in the election campaign last year. It was distinctly repudiated by both military and political authorities here at home. Neither the USA nor Norway, for that matter, nor the defensive Western defense alliance as a whole, threatens low tension in the north. On the other hand, there is high tension in the Socialist Left Party, for want of the foreign and security policy "tidbits" which the party has always built its existence on.

In the Defense Ministry they are looking forward with anticipation to a renewed duel with the Socialist Leftists over the topic. This will provide still another opportunity to demonstrate for Norwegian public opinion how necessary it is to have strong non-provoking preparedness in our own ocean territories. And not only this: It will also be demonstrated how preposterous and dangerous it is to create the impression that the Soviet Union has an implied political sanction to conduct large-scale naval exercises off our coast while we ourselves and our NATO partners are "threatening low tension" when we conduct maneuvers off Troms.

The last point is a totally decisive one in our defense and security policy and provides the defense minister with all good cards in his hand when he replies to Koritzinsky's interpellation. The Socialist Left Party's loud "concern" contributes only, if it succeeds, to legitimizing Soviet dominance in the Norwegian Sea, to strengthening the Soviet impression of a "mare nostrum" and thereby increasing the political pressure on Norway, which is part of the philosophy behind the "sea power of the State" on the Soviets' part.

Koritzinsky refers to "concern in the Storting" over the alleged new American strategy, which is neither new nor American. It is a question of nothing more than a "concern" which the Socialist Left Party, and this party alone, has spoken in behalf of, and this kind of circular reasoning must amuse even the gentlemen in the Kremlin. And PRAVDA will certainly not wait long to joyfully throw itself onto a "concern in the Storting," which NY TID and FRIHETEN can in turn cover. The perpetuum mobile [perpetual motion] is under way.

The interpellation is a revealing testimony to the Socialist Left Party's poverty of political issues in a time of Geneva talks and a moderate international temperature. This high tension in the Socialist Left Party over our low tension in the north shows also that the Socialist Leftists will never be satisfied before Norwegian defense and security policy consists in lying on our backs and fawning. That the repeated move has been given the form of an interpellation is to tempt the Labor Party's left wing to take part, but the Socialist Left Party should remain standing alone in this irresponsible exercise.

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MILITARY

NORWAY

AIR FORCE AWARDS 'CRISIS BONUS' TO PILOTS FOR LONG CONTRACTS

Oslo AFTENPOSTEN in Norwegian 5 Feb 86 p 32

[Article by Liv Hegna: "'Crisis Bonus' for Selected Pilots"]

[Text] On Tuesday, Air Force Inspector General, Major General Olav Aamoth sent contracts for a bonus in the order of a million kroner to 50 pilots. The condition is that they stay on in the military. "We have given precedence to those who have the higher military school training to preserve the leadership level in the Air Force", Aamoth told AFTENPOSTEN. He describes the pilot-crisis measures as a "putting out fires."

"We have to get an increase in government pay proportionate to the civilian labor market in general", he said.

In all, 117 pilots applied for a bonus contract for continued service in the military. The Ministry of Defense left it up to the Air Force Staff to pick out the lucky ones. The military leadership was not happy with this, as they had already made it clear that all pilots who qualified ought to receive the benefit of the bonus arrangements. At the order of the Ministry, the staff nevertheless drew up a ranking list of around 100 men, and has now sent offers of a contract to 50 of these. Major General Olav Aamoth emphasized to AFTENPOSTEN that he is particularly dissatisfied with the quota of 20 men to be taken into consideration even though they are more than 35 years old.

"This has led to our not being able to offer such bonus contracts to everyone that the Air Force Staff wants," says Aamoth. He stresses that the Air Force Staff will work to extend the bonus arrangements in 1987. Also, the political leadership of the Ministry of Defense has given signals that an extension of the bonus arrangement for 1986 is not out of the question.

Major General Olav Aamoth thinks besides that it is unfortunate that the bonus arrangement introduces differences in the treatment of pilots serving in the same squadron. Nevertheless, Aamoth describes the bonus arrangement as something that gradually has come to appear to be "the least unfortunate of many bad solutions".

Major General Olav Aamoth anticipates receiving the signed contracts back from the pilots within the next few days.

13032/12790
CSO: 3639/71

MILITARY

NORWAY

BRIEFS

MILITARY INTELLIGENCE FACILITIES CONCENTRATED--The defense will build a new building on the West side of Fossum Bruk and has taken over a wooded lot of about 10 acres, we read in Lovenskiold's NORDMARKSPOSTEN. The building will combine all departments of the intelligence service under one roof. Together with the defense, Lovenskiold Vaekero has laid roads and installed water and sewer lines, for which the community will assume responsibility. [Text] [Oslo ARBEIDERBLADET in Norwegian 8 Jan 86 p 8] 12831

CSO: 3639/65

MILITARY

PORTUGAL

REDUCED MILITARY SERVICE SEEN ECONOMICALLY UNFAVORABLE

Lisbon O JORNAL in Portuguese 17-23 Jan 86 p 19

[Text] Given that the mere announcement of such a measure will have an impact on young people and in view of the high costs of implementation, political and military quarters indicate that the Cavaco Silva government's haste in drawing up a bill to reduce the length of compulsory military service is an electoral ploy.

During its meeting yesterday, Thursday, the council of ministers decided to send a draft bill to the Assembly of the Republic which would reduce the length of compulsory military service. According to what Minister of State Fernando Nogueira said to the press, the government's proposal would put the length of compulsory military service at 12 to 15 months for the Army and from 18 to 20 months for the Navy and Air Force.

O JORNAL learned that, 1 week ago, the Ministry of Defense asked the Armed Forces General Staff to study the possibilities and the consequences of reducing the length of compulsory military service given two alternatives: 12 or 15 months. A group which has since been working at full speed was formed to complete this study.

In any event, it is known that the conclusions already reached indicate that a reduction in the length of compulsory military service, such as the government proposes, would cause a substantial increase in expenditures as well as problems requiring structural changes that would be difficult to realize in the short term. According to an expert on military affairs, a reduction in the length of compulsory military service would leave the minimum number of trained personnel unchanged (more than 31,000 soldiers, approximately 2,120 sergeants and almost 1,250 officers). It would also not affect the number of enlistments and the length of the respective training courses.

It should be recalled, in this regard, that the level of Armed Forces personnel does not only depend on the government but also on NATO commitments. The total number of personnel, as was mentioned, is now somewhat more than 31,000 soldiers. This figure should be about 39,000, were it not for the budget cuts that have been made.

There Are No Facilities

A source at the Army General Staff quoted yesterday by the ANOP [Portuguese News Agency] said that the reduction in the length of compulsory military service "can be translated into increased costs in soldiers' training." The news agency adds that the reasons cited for the increase in costs are: a larger number of soldiers will be trained, more instructors, equipment and the infrastructure necessary to complete the current length of military service will be required. "Today, when we speak of reducing the length of compulsory military service, we think of the cost of training each individual," added the same Army General Staff source. "The less time a soldier is in the ranks the more men will have to be inducted into the Armed Forces to compensate for the number of individuals needed."

According to what O JORNAL learned, in the event of a reduction to 12 months, the number of soldiers would increase to about 47,000 (13,000 more than now). One of the problems that presents itself immediately is that of insufficient facilities to accommodate such an increase in personnel. It would not do to simply make changes in the present facilities. Such changes would only cause conditions--which in many facilities are far from being good--to deteriorate. It should be noted that experiments conducted in barracks which introduced a third bunk, instead of the usual two, were very negative.

In addition, there is the problem of uniforms. Their costs would also be very high. Last but not least, there is the increase in training expenditures with the possibility that more instructors would have to be taken on.

According to military sources, armaments is the only area where there would be no problem. There are enough. However, it should be noted that shooting practice is expensive and the more men we have in active duty the greater the cost will be.

The law governing compulsory military service dates from 11 July 1968. It was ratified when the colonial war was at its peak. The 24-month tour of duty was designed to respond to the needs of that situation. Since the law gives the chiefs of staff the right to shorten the length of military service, they have been using this power for years now. In the Army, for example, the length of service for enlisted men is 16 months. According to the same Army General Staff source quoted by ANOP, there are even some areas where it would be "better" to prolong the length of military service because they require a certain amount of experience and continuity. This is the case, for example, in the Armed Forces' newest services or those sectors where new technologies, such as in data processing, communications, armaments, etc., were introduced.

With 4 months, Switzerland has the shortest length of compulsory military service. As for the armies of NATO countries that may serve as a basis of comparison with Portugal, it should be noted that the Federal Republic of Germany has 18 months, Belgium 10 months, Denmark 9 months, and France, Italy and Norway has 12 months. Holland's compulsory military service is for 14 to 16 months, Turkey 20 months and Greece 22 months.

9935/9738

CSO: 3542/62

ECONOMIC

FEDERAL REPUBLIC OF GERMANY

ECONOMIC BOOM CALLED RESULT OF EXPORTS, NOT COALITION POLICY

Hamburg DIE ZEIT in German 7 Feb 86 p 18

[Article by Wolfgang Gehrman: "But It Isn't Chancellor Kohl's Doing"/ Growth Without Inflation and an Unheard-of Export Boom: Bonn's Economic Policy Claims Credit]

[Text] If results are the only criteria, then the chancellor has kept his word. When in October 1982 the new chief of state, Helmut Kohl, drew up the beginning economic policy balance sheet, the FRG was going through the deepest crisis of post-war years: no growth, many firms going bankrupt, high public debt and oppressive welfare charges, more than 2 million unemployed, and entrepreneurs without faith in the future. Three years after the chancellor promised a "new economic and social policy" as a remedy, the economy today is actually in new bloom.

The annual economic report predicts a 3 percent growth rate for 1986--and that is pessimistic. At the same time, prices remain stable--at 1.5 percent the inflation rate is the lowest in 10 years. The German export industry is so successful on the world markets that the balance of trade surplus for 1985 amounted to the record sum of DM 73 billion. Government indebtedness is being cut back faster than even Finance Minister Gerhard Stoltenberg, an advocate of solidity, had thought possible.

No wonder that the Bonn government is praising its own economic policy expertise. True, there is still unease about the great number of unemployed, 2.6 million. But the Kohl cabinet does not seriously have to fear the opposition's accusation that Economics Minister Martin Rangelmann is glossing over the major economic problem and palliating the situation. Evidently, by getting used to long-lasting high unemployment, public expectation is rapidly dwindling that the Federal Government has the appropriate means to lastingly control employment.

At any rate, the political prejudice that Christian Democrats are better economists is greatly nurtured at this time. Even as detached an observer as the Bonn correspondent of the FINANCIAL TIMES today considers Helmut Kohl invincible in the Bundestag elections a year from now.

But the great appearance of a successful economic chancellor Kohl is deceptive, and the supposed economic competence of the Christian-Liberal

coalition hardly bears up under closer scrutiny. Neither the regained growth nor the stable value of money are Kohl's doing. The upswing and consolidation have been bought with great risks. The "new economic policy" hasn't taken place at all. It was a promise not kept by Kohl and Bangermann.

The latest upswing is a present from abroad. The good business deals, which brought German industry a boom with super profits and led to a buying spree at the stock exchanges, were made in exports. More than the good name of "Made in Germany", the success of German exporters during the past 3 years was also occasioned by the fact that the most important competitors in the world market were put out of action. Because the exchange rate of the U.S. dollar was so high, merchandise from U.S. factories became more expensive. German competition of U.S. industry, becoming relatively cheaper, had an easy time of it worldwide.

The enormous German foreign trade surplus may be pleasing to national pride, but it also has its pitfalls. Because now it is not only the Japanese who appear as unloved trade chauvinists. Successful German exporters also worry their trade partners.

On the one hand, this increases the inclination of foreign governments to brake the stream of German imports through trade obstacles. On the other hand, they apply greater pressure on the Federal Government to promote domestic demand in order to get the balance of trade into equilibrium.

Not least of all, in order to counter such pressures, in its annual economic report the Bonn government nurtures the hope that German consumers would go on a big buying spree in the coming months. But such a hope is vague. The latest tax reduction gave only minimal amounts to low wage earners who, through increased income, are most likely to be stimulated to spend money. And the hope that the trade unions would manage to get fat wage increases in the upcoming negotiations, is at least not shared by the economics minister: he recommended that, at most, they demand wage increases of no more than 4.5 percent.

In view of the fierce dispute between the Federal Government and the labor unions about strengthening the right to strike, the situation is interesting: up to now, wage earners' organizations have been Helmut Kohl's most effective economic policy helpers. For only because past wage negotiations gave only meager additional income to wage earners, wage costs of the companies stayed low, and morale at the managing board level high. This also accounts for the moderate increase in prices. The stable value of the currency, which Helmut Kohl likes to have celebrated as his great merit, in reality was made possible by wage earners giving up wage increases.

The second stabilization success, for which the Bonn government and Finance Minister Gerhard Stoltenberg like to take credit, must also be shared with others: public debts are rising so moderately only because the Bundesbank feeds the Bonn budget year after year with high profits from exchanges rates and interest, an estimated DM 12 billion last year.

Without this amount, new public indebtedness would have been DM 34 billion instead of DM 22 billion.

Although it may not be an original political concept--budget consolidation is still the most characteristic trait of Bonn economic policy under the leadership of Helmut Kohl and Martin Bangemann. For the fact is that nothing has remained of all the other economic ideas which Helmut Kohl used in 1982 to create the impression that it would be worthwhile to elect him.

We won't even mention the idea, splendid at the time, of giving industry a gigantic surge in incoming orders--through building nuclear power plants, laying cables all over the country, and establishing a network of private television stations. So far, the right demand was not found for any of it.

But not even the modest attempt to permit stores to stay open later has succeeded. It would have been a part of that freeing from control and bureaucratization which the "new economic policy" had promised.

"Away from crusty structures toward more flexibility, self-initiative and increased competitiveness"--this is what Helmut Kohl had promised in his government policy statement in March 1983. But none of it has come true; at least nothing that was due to the government.

Subsidies continue to grow like weeds. In the insane system of European agriculture, Bonn's representatives prevent even modest attempts at improvement. The plans for privatizing government enterprises are yellowing in Bonn desk drawers. Instead of stagnating, social security taxes continue to rise.

Yet the impression that Helmut Kohl is a successful economic chancellor will only disappear when the windfall profits of the export boom and moderate wage increases have been used up. Probably, the chancellor will then announce a "new economic policy."

9917

CSO: 3620/228

ECONOMIC

FEDERAL REPUBLIC OF GERMANY

MAYOR SPES BERLIN BECOMING CITY OF INVESTMENT, NOT SUBSIDY

Duesseldorf HANDELSBLATT in German 31 Dec 85 p 6

[Article by Mayor Eberhard Diepgen: "More and More Entrepreneurs Use the Opportunities and Advantages of Berlin"/Return to One's Own Strength Bears Fruit]

[Text] The continuing development of Berlin from a city of subsidies to a city of investments and, therefore, a city of labor market opportunities gives rise to a look beyond the narrow confines of daily events and to thinking about securing and continuing this economic upswing in the long term.

The three major supports of Berlin's successful economic policy are quickly outlined:

--Industrial policy banks on expansion of the high-tech area, increased cooperation between industry and science, and preservation of what has been achieved. This latter point is especially important for small and medium-size enterprises which contribute significantly to the economic upswing and to the creation and securing of jobs through their productive capacity and innovative strength.

--The "qualification offensive" will turn many unemployed and untrained Berliners into skilled personnel. An analysis of the structure of unemployment makes it clear that 60 percent of the unemployed are without skills.

--The service sector is continually increasing in importance, both in the production and trade sector as well as in the medical and social field.

On the one side, there are the general conditions established by the state in these three areas. But if these investments are to bear fruit in concrete economic figures, then the other side, that of entrepreneurial trade, is an absolute part of it.

The Share of Federal Aid in the Budget is Falling

Berlin is in the fortunate position that more and more entrepreneurs recognize the advantages offered by the city and take the opportunities: in Berlin, there are more layings of cornerstones, factory inaugurations, stock issues, and new firms moving to the city than since many, many years ago.

To be sure, just as other regions require assistance for different reasons, the city needs the calculable and constant aid of the Federal Government to compensate for its special situation which leads, among other things, to our not participating in the Laender fiscal adjustment and having structurally-induced low tax revenues. What is new is that the share of federal aid in the budget has been dropping slightly and continually for the last 4 years. At the same time, the proportion of tax revenues in the budget has been rising.

The data on Berlin's over-all economic development prove that this return to one's own strength, this reinforcement of entrepreneurial investments through a creative economic policy bears fruit. Berlin's economic development stands under a positive sign, from the development of employment figures to the gross domestic product, and to orders received:

--At the end of June 1985, there were about 20,000 more jobs in Berlin than 2 years earlier. In manufacturing industry, the number of jobs has been growing month by month since October 1984. At the end of October 1985 there were 5,900 more than a year ago, which means an increase of 3.7 percent. This was the largest personnel increase in Berlin industry as compared to the previous year during the last 15 years. The percentile development was higher than in the FRG--incidentally, for the first time since summer of 1961, just before the building of the Wall.

--The gross domestic product during the first half of 1985 was 2.2 percent higher than in the first half of 1984. This positive development continued the trend of the two previous years: in 1984, the gross domestic product in real terms was 2.8 percent higher than in 1983, which in turn was 1.9 percent higher than in 1982.

--Orders received in the manufacturing industry also shows a constant positive development: during the first 9 months of 1985 there was an increase of 8.9 percent compared to the same period of the previous year. 1984 ended with a plus of 8.1 percent compared to 1983, which in turn was 5.3 percent higher than in 1982.

Increased demand, continuing so far during the course of this year, is mainly due to lively order activity from abroad. At its center stands the extremely active demand for capital goods.

--Equipment investments in Berlin reflect the growing confidence of foreign and domestic industry in the Berlin location. Investments rose by 6.9 percent during the first half of 1985, based on the already high level of 1984 which showed an investment growth of 7.9 percent compared to 1983. In 1983, it was already 9.8 percent above the level of the previous year.

In 1984, the Berlin manufacturing industry for the first time broke through the investment "sound barrier" of DM 2 billion.

What lies behind the fact that Berlin can report positive news in a period of intensified international competition for industrial relocations, share issues and research orders? In my opinion, the answer lies in the great variety which only a metropolis has to offer.

An enterprise engaged in research and development operates best where universities, institutes and scientists are clustered in a small area. A scientist wanting to do sophisticated work usually wants to live also where a wide variety of cultural and recreational life is available. And an enterprise wanting to manufacture new and pioneering products settles where there are many flexible subcontracting companies and an adaptable, hard-working labor force.

Berliners Have Reason to Be Confident

In short: A metropolis like Berlin, which does everything possible to promote creativity and flexibility and to strengthen existing advantages of location, creates a climate conducive to investor confidence.

Our motto is: modernization, dynamic enterprises, risk, ideas. Of course, this economic aspect would be null and void without a stable political development--and vice versa.

In the March elections, Berliners decided in favor of a continued stable development in domestic policies. And external security continues to be guaranteed through the presence of our Allied protective powers in our city and our close ties to the FRG.

On the threshold to the new year, we Berliners have more than ever reason to be confident. Now it is a matter of even more dynamism from the ranks of trade and industry, the work force and science. The dynamism of today may pay good dividends tomorrow. We need dynamism and dividends in a figurative sense, also--not only in the economy-- , since great tasks lie ahead of us:

In 1986 we commemorate the 200th anniversary of the death of Frederick II., a prelude to the 750-year celebration in all of Berlin. A year later, Berlin will be the center of attention as the European "culture capital," and as host to the World Bank meeting.

Political stability, economic outlook and intellectual creativity need each other in Berlin and elsewhere.

9917

CSO: 3620/224

ECONOMIC

FINLAND

LENFINTORG REPRESENTATIVE: NUCLEAR UNIT BUY WOULD HELP TRADE

Helsinki HELSINGIN SANOMAT in Finnish 10 Feb 86 p 27

[Article: "V. M. Novolotskiy, Lenfintorg: 'Nuclear Power Plant from USSR A Solution to Deficit'"]

[Text] Raahe--The procurement of a new nuclear power plant from the Soviet Union would with one fell swoop resolve the trade deficit, which threatens to increase as oil price drop, said Chief Representative V. M. Novolotskiy of Lenfintorg at the Soviet Border Trade Seminar in Raahe:

"It would be a coup if we were able to accomplish this within the framework of border trade. Naturally, it is regrettable that trade between our countries is so dependent on one type of commodity," says Novolotskiy.

The share of oil and oil products is 69.7 percent of imports as recorded in the commodity exchange schedule for the years 1986--90. Last year the share of border trade was only 1.5 percent of estimated total trade.

"In the future we must also find new products and product groups since it is difficult to develop trade with traditional goods," says Novolotskiy.

According to Novolotskiy, the only exception is the importing of electricity to Lapland. The municipality of Inari is purchasing 50 million kilowatt hours of electricity from the Soviet Union every year. Correspondingly, the Reima Company exports clothing to the Soviet Union from its factory in Ivalo.

"Approximately 50 new jobs have been created in Inari because of border trade. We have Lenfintorg to thank for this," says Vice-Chairman Voitto Tervahauta of the Inari Municipal Council.

The goal of the the border trade company Norinter, owned by Northern Finland's municipalities and firms, is to get the municipalities and leagues to purchase products from the Soviet Union.

"Imports of hospital and school needs could raise border trade to millions of markkaa," says Managing Director Seppo Ilander of Norinter.

Last year Norinter's exports to the Soviet Union was 2.7 million markka, but in the opinion of Ilander it should be 27 million markkaa.

"Northern Finland's share of border trade last year was only 1 percent while, on the other hand, 7.6 percent of our country's industry is located in Northern Finland," notes Ilander.

The large border trade companies of Kaukomarkkinat, Tomesto, Fexim, and Sureva in the south dominate nearly 90 percent of the border trade. They have been involved in border trade almost since the inception of Lenfintorg in 1958.

"The penetration of a new border trade company into this market is difficult since the border trade companies in the south have obtained the import rights to the most important products such as lumber, fodder, and fish," says Ilander.

An increased share for Norinter and Northern Finland's firms was demanded in several speeches at the Border Trade Seminar.

However, Chief Representative Novolotskiy of Lenfintorg threw cold water on this idea: "It makes no difference where a firm is located as long as the product meets quality requirements," notes Novolotskiy.

Ahti Pekkala: Oil To Become Cheaper by One-Fourth

Immediate measures are needed in order to obtain new compensatory import products from the USSR. The better the success in this matter, the smaller the need for reducing Finland's exports to the USSR in order to balance trade between the two countries, says Governor Ahti Pekkala.

Pekkala spoke at the Finnish and Soviet trade seminar in Raahen. He considered it possible that the overall reduction in the world market price of crude oil will be approximately one-fourth in comparison with last year's level.

The proportion of oil and other energy products in Finland's imports from the USSR is more than four-fifths. If the above-mentioned reduction of world market prices prevails throughout the rest of the year, it would mean a reduction by approximately one-fifth of the value of Finland's imports recorded in the current year's commodity exchange schedule.

The USSR has proposed the joint development of mining operations on the Kola Peninsula on the basis of compensation. Another possibility that has been mentioned is the importing to Finland of electricity produced there, which would presuppose the construction of a new high voltage transmission line between the electric networks of the two countries.

In Pekkala's opinion, this venture could be worthwhile from Northern Finland's point of view since an increase in the supply of electricity could also result in increased industrial development.

10576

CSO: 3617/70

ECONOMIC

ITALY

CAPRIA ESTIMATES BUSINESS WITH LIBYA AT TWO TRILLION LIRE

Foreign Trade Ministry Statistics

Rome LA REPUBBLICA in Italian 9 Jan 86, p 6

[Article by Enrico Morelli: "Italy Is Engaged in Business Amounting to Two Trillion"]

[Text] The Italian-Libyan joint commission, which was scheduled to meet in February of this year to determine the status of business between the two countries, will probably postpone its meeting. This is the most recent effect that the growing political tension between Rome and Tripoli has had on Italian-Libyan trade. A person who works closely with the Minister of Foreign Trade, Nicola Capria, says that "business representing 2 trillion lire is involved and there is the danger that it will fall through."

This pie is made up of a 450-billion order involving Snamprogetti (ENI group) for building a fertilizer plant on the Gulf of Sidra, 1.2 trillion in construction work for which around 40 contractors are negotiating (from Lodigiani to Salini Builders, from Belleli to Micoperi), and the balance by a number of contracts filled by small and medium-sized businesses.

Libya is no longer an Eldorado for Italian firms as it was 4 years ago, when sales reached 5 trillion lire (as compared to 5.5 trillion in the United States), but it still is an important market. As the radicals revealed yesterday, Italy has also exported large amounts of weapons in recent years (280 airplanes, 31 helicopters, 200 armored cars, 4 corvettes, and a large number of missiles). It has imported chiefly petroleum in exchange. According to data released yesterday by the European Economic Commission, Italian imports in 1984 amounted to 3.514 billion crowns of the EEC total of 9.009 billion, while exports reached 2.114 billion crowns out of a total of 4.388 billion.

The 1985 data, released yesterday by the Ministry of Foreign Trade and covering the first 10 months of 1985, reveal a persisting imbalance in favor of Italy. In 1985, Italy spent 3.642 trillion in Libya (as against the 4.8079 trillion spent over the same period in 1984) and bought goods

representing 1.897 trillion (as against 2.068 trillion during the first 10 months of 1984).

The drop in trade is a result of Libya's foreign exchange difficulties (following the decline in oil prices), but it also stems from the failure to resolve a dispute dating from the time when Al-Qadhdhafi came to power and repudiated debts of 81 billion lire owed by the previous regime. The missed payments, for which indemnification has thus far been made by SACE (the public authority insuring Italian exports), have increased in the meantime to 150 billion and have prompted this agency to adopt a very cautious approach.

Libya is currently considered by SACE to be a country "on probation." This means that medium-term and long-term contracts signed by Italian firms are not insured by SACE until previous contracts have been paid off. In addition, the insurance coverage of 90 percent of the value of a contract has now been lowered to 80 percent.

On the other hand, insurance coverage is granted in the case of exports involving short-term payments, if accompanied by irrevocable letters of credit (this meaning that a Libyan bank guarantees payment in any eventuality). SACE's risk relative to Libya currently stands at 410 billion on a medium-term and long-term basis and at 720 billion on a short-term rotating basis. In 1985 this agency insured about 10 contracts, 2 of which were rather substantial, one an IVECO (Fiat) contract for around 400 million dollars and the other an Italimpianti contract for around 130 million dollars. Finally, SACE deplores the non-payment of an indemnity of 12 million dollars (discounted 30 percent in accordance with an agreement reached between the Italian embassy at Tripoli and the Libyan authorities at the end of 1984), and accordingly does not at the moment foresee changing its attitude of restraint toward Al-Qadhdhafi's country.

Concern is also being voiced by companies interested in the compensation owed for petroleum agreed upon several years ago by ANCE (the builders' association), along with AGIP, and the Libyan petroleum authority in the amount of 300 million dollars, only half of which has been paid thus far. A similar transaction completed by technicians of the Ministry of Foreign Trade in July 1985 in the course of a meeting of the Joint Commission has had no better success because of Libyan insistence that the crude oil be paid for at the OPEC price.

In the interim, however, Tripoli has reduced its aggregate debt to Italian businesses from about 1.2 trillion last year to slightly more than half this amount. If the political tension is relaxed, it might be possible to work out a compensation agreement with Tripoli (oil and gas in exchange for goods) similar to the one recently reached with Iraq by Minister Caprio, under which the petroleum market prices set in Rotterdam were taken as the terms of reference.

Italian-Libyan Trade (First 9 Months, Values in Billions of Lire)

Item	1984	1985	Variation (percent)
Export	3,642.4	4,807.9	+32.0
Import	2,067.4	1,897.0	- 8.2
Source: ISTAT			

8,000 Italian Technicians in Libya

Rome LA REPUBBLICA in Italian 9 Jan 86, p 6

[Commentary: "More than 8,000 Italian Technicians Earning Monthly Salaries of 3 Million"]

[Text] When Al-Qadhdhafi came to power in 1969, there were around 20,000 Italians in Libya. Almost all of them were expelled in 1970, and they did not start to return until the mid-1970's. There were 20,000 of them in Libya again in 1980-1981. Then there was a slump in the petroleum industry, activity in construction and major public works projects was scaled down, and today there are 8500, 2000 of whom live in Cyrenaica (capital: Benghazi), and the other 6,500 in the former Tripolitania and Fezzan (capitals: Tripoli and Sabha). The majority of them, 5,000 persons, work in construction and on public projects, 1,500 in the petroleum industry, and the remaining 2,000 at Fiat-Iveco, in factories (tiles and pasta), and in the service sector. Almost all these Italians are management personnel earning on the average a monthly net income of 3 million lire, with food and lodging paid by the firms. Only about 1,000 persons in Tripoli live in private housing. The others stay in "camps," fenced-in prefabricated housing units with guards at the entrance. About 500 Italians live in hotels, at Bab El Medina where there is a concentration of Italian technicians who work in Tripoli and at Bab El Bahar and Bab El Kebir where company directors are housed. Some 100 Italians have been in Libya since Al-Qadhdhafi first came to power.

The residential quarter of the capital where most Italians live is the former Georginpopoli, now Hay El Andalus. The most important personages in the Italian community, in addition to ambassador Giorgio Reitano and consul general Giuseppe Cipolloni, are the Italian member of the people's committee managing AGIP-NAME, Francesco Guidi, MONTEDISON representative Paolo Ferro, Fiat representative Luigi Dessy. ENI's Giovanni Ortone, SIRTII's Piergiovanni Umberto, and JOGEFAR's Luigi Bianchetti. There are 6,500 Italians who have a work visa and thus permission to live in Libya; the other 2,000 have a business visa which is renewed every 3 months. One-fourth of these 2,000 are authentic renewals, that is, persons who stay in Libya for 3 months or slightly longer and are then replaced by others, while 1,500 work in Libya constantly but prefer to have the business visa renewed every 90 days. Every firm must have a legal representative who is responsible for all the obligations of the company and consequently has to leave his passport at the revenue office.

This custom has caused quite a few difficulties for the persons handling Italian business affairs in Libya. To give just 2 examples, a carpenter named Francesco Cece was imprisoned for more than a year because the Cantieri Industriali (Industrial Construction Corporation) in Rome failed to pay tax amounting to 1.5 billion lire, and an engineer, Francesco Napoletano, was held in prison for several months because SICOGE had been forced to suspend work on sewer systems because of a cash flow problem.

Italians in Libya have very few opportunities to get together. There is an assistance committee for Italian nationals, a young people's general athletics association, and a moving picture and theatrical center. There is also a school for Italians (with instruction from kindergarten to university science entrance examinations) named after the Arab-Sicilian poet Al-Maziri. The last big recreational event for the Italian community in Tripoli was a mammoth bingo game held in the building of the moving picture center on 12 December 1985. All Italian firms subscribed for the prizes, and the numbers were drawn by the commercial director of Alitalia, Nevio Scamolla. An ensemble also performed.

153 ENI Employees in Libya

Rome LA REPUBBLICA in Italian 10 Jan 86, p 4

[Article by Edoardo Borriello: "ENI Monitors Crisis Without Alarm; Oil Imports Not to Be Halted"]

[Text] Franco Reviglio, president of ENI, is personally following the developments in the Libyan situation, and his coworkers firmly state that he is not at all worried. Oil tankers of the government fleet continue to ply between Italian and Libyan ports, hauling the customary huge cargoes of oil.

Bu-Attifel is the crude oil imported by AGIP, a company controlled by ENI, at the rate of 80,000 barrels a day, that is, more than 29 million a year, the equivalent of about 4 million tons.

This type of petroleum, highly rated and used chiefly by petrochemical industry installations (those concentrated in Sardinia in particular), is extracted from the Libyan Bu-Attifel oilfield by the AGIP NAME company, which in 1985 produced a total of 7.8 million tons. Half of the petroleum extracted is turned over to the Libyan government as equity. The other half is imported into Italy.

AGIP is also proceeding with the project for working the Bouri deposit in Libya. This project is now in the execution stage. In all 153 employees of the ENI group are currently in Libyan territory; their family members raise the size of the group to 210 persons. Almost all of them are technicians and laborers.

It is noted that, while Italian petroleum imports increased from 6.8 million tons in 1982 to 8.5 million tons in 1984, AGIP imports have gradually decreased, at a time when those of third-party importers, that is, Italian and foreign oil companies, have risen.

The opinion is widely held both in ENI and by private companies that the sanctions imposed by the United States will not significantly reduce Libyan oil exports. Tripoli will easily find other outlets for its high-quality low-sulfur crude oil. Exports to the USSR and other CEMA countries will probably increase. Libyan crude will also probably reach the United States market by way of indirect imports.

Small but significant amounts of Libyan petroleum are occasionally purchased by AGIP on the spot markets, that is, foreign markets where this important raw material is sold at freely established prices and the prices set by OPEC, the organization of 13 countries exporting "black gold," are ignored.

As regards any plan for evacuating ENI employees and their family members from Libya, Reviglio's coworkers explain that plans of this kind, which are drawn up against unforeseen disasters, are always ready and are constantly updated. For the time being, however, there appears to be no need for them. Whether or not they will be put into effect will depend on decisions made by the Italian government.

ENI employees represent only a very small part of the more than 8,000 Italian technicians and laborers employed on Libyan soil.

Boycott Could Favor USSR

Rome LA REPUBBLICA in Italian 10 Jan 86, p 4

[Commentary: "Libyan Boycott Could Favor USSR"]

[Text] The drop in oil income, the main source of Libyan revenue, has already dealt a heavy blow to development of the country. The Tripoli government is in debt to the tune of around 10 billion dollars to foreign banks, which have put it on the list of customers "at high financial risk."

In 1985 the United States exported to Libya goods valued at about 300 million dollars while importing 40 million dollars worth of petroleum products. The total trade embargo now imposed by President Reagan will certainly not have a disastrous effect on the Libyan economy, but will nevertheless have an impact on a country with a population slightly greater than 3 million whose per-capita income is dropping sharply following the decline in sales of petroleum, from which Tripoli collected 9.3 billion dollars in 1985 as against 12 billion in 1983. As a result of this shrinking of energy markets, the gross national product last year was about 3 per cent lower than in 1984, while inflation still hovers around 10 percent.

From the financial viewpoint, the time is now past when Libya, along with the other Arab oil producing countries, could allow itself the luxury of investing its surplus cash abroad and of lending petrodollars to whoever needed them. Al-Qadhdhafi's debts to foreign banks currently amount to around 10 billion dollars, including an annual interest payment equalling 2 billion dollars. Libya has thus become a country "at high financial risk" to which banking institutions are increasingly reluctant to lend a single cent.

Against this background of creeping economic crisis, then, the American sanctions can have a certain, although limited, impact. The consequences would have been entirely different if the Western countries to which Reagan appealed had supported the United States boycott to freeze all trade. Suspension of the economic relations represented by a single group of leading countries (Italy, Federal Republic of Germany, France, Great Britain, Japan, Spain, Switzerland, Turkey, and Greece) would have meant to Libya the cancellation of 8.2 billion dollars in exports and 4.1 billion dollars in imports, according to trade figures for 1984.

There would have to be added to these figures the consequences of the shutting down of industrial operations managed by foreign personnel, the resulting local unemployment, and the other economic and social repercussions caused by an unstoppable crisis in international relations.

Significantly, the one of the sanctions imposed by the White House which will probably have the greatest impact will be the departure of American specialists employed by Occidental Petroleum Company, Marathon Oil Company, and Conoco Incorporated. These companies draw around one-half of the total Libyan petroleum production.

However, there is one aspect of the Libyan situation that has not been studied thoroughly enough and that could somehow affect conditions in the Mediterranean. The Soviet Union did not delay in showing its predictable support for Al-Qadhdhafi, but this was a gesture certainly dictated not by particular liking for the colonel of Tripoli but by the opportunities which the American boycott of Libya now offers the Kremlin from the political viewpoint.

After being expelled from all Arab countries, the Soviet Union has nevertheless managed to remain in Libya to keep a fairly important foothold in the Mediterranean, which, although weaker than the one in Egypt, is near the sensitive Suez Canal as well as the Mediterranean basin.

Not being able to count on ideological harmony with Al-Qadhdhafi, Moscow has had to pay for its alliance with substantial weapons deliveries. The Libyan difficulties on the petroleum market have now given the Kremlin the opportunity of making the alliance with Tripoli no longer contingent on sale of weapons but on indirect purchase of surplus Libyan petroleum, thereby increasing Libya's dependence on the East European countries, and accordingly Moscow. Sometime ago, at the first hint of crisis on the energy markets, the news agency TASS did not hesitate in a comment on the Libyan position, for example, to assert that this had led to the creation of a "stable structure in trade relations" between the USSR and the Libyan government.

There are no definite data on trade between Libya and the Soviet bloc, with the exception of Romania, which imported 311 million dollars in goods from Tripoli in 1984 and exported 140 million. Yugoslavia made purchases amounting to 407 million while selling goods representing 255 million dollars. Having difficulties in its own petroleum industry, which have necessitated revision of energy deliveries to its allies, the USSR will now be able to trade to its advantage on the Libyan market and even gain favorable prices for the Eastern countries from an Al-Qadhdhafi caught in an economic squeeze which at the same time ties him more closely to the Kremlin.

ECONOMIC

ITALY

ISTAT ISSUES FIGURES ON 1985 UNEMPLOYMENT RATES

Rome LA REPUBBLICA in Italian 12-13 Jan 86

[Article by Giovanni Scipioni: "Big Industry Wipes Out Another 60,000 Jobs"]

[Text] Rome--The gradual downturn of employment that has taken place since the early months of 1980 continues inexorably and without interruption. In the first 10 months of 1985 there was a 5.2 percent decline in employment from the level for the same period of the previous year: approximately 60,000 employed persons found themselves--in the space of a few months--without work and thereby swelled the ranks of the already sizable army of unemployed, which now stands at 2.4 million. Some, however, have found employment in the "underground economy," which has a work force of 2 million. All this indicates that the robots, with their mesmerizing tentacles, have penetrated big industry under the banner of technological innovation. They have speeded up production tempos and enhanced our country's competitiveness but have very gradually been separating from their jobs older workers who are choosing early retirement in preference to nuts and bolts and electronic machines.

The data from the ISTAT [Central Statistics Institute] survey, developed in those industrial establishments that have more than 500 employees, also reveal that employment in the month of October recorded a 4 percent decline from the figure for the same month of the previous year. The situation with respect to hours worked was inversely proportional, however: in the first 10 months of 1985 there was an increase of 0.9 percent in the average number of hours worked per capita, while in the month of October the average number of hours worked per worker showed an increase of 0.7 percent over the figure for the same month of the previous year.

The decline in employment is also a sign of the transformation of our country's industrial system. Big industry is getting rid of its surpluses by virtue of a more managerial and contemporary type of administration. At the same time, small companies with very few employees (preferably with 40 or 50, the figure below which the Workers Statute is not applicable) are springing up like mushrooms.

The downturn in employment recorded by ISTAT is the consequence of the negative developments that have affected the majority of sectors of the economy. The highest price of all, however, has been paid by the metalworking industries,

which in October recorded a decline of 7.8 percent, and by the chemical-pharmaceutical industry, with a decline of 6 percent--the very same sectors in which the increase in hours of work per capita (respectively 1.7 percent and 4.2 percent) proved to be most accentuated.

Still with reference to October 1985, average savings did actually achieve an increase of 9.4 percent over the figure for the same month of the previous year. This is the result of the dissimilar behavior of the two principal components: direct remuneration (basic wages, contingent pay), which recorded an increase of 10.8 percent, and indirect remuneration (family allowances, wage supplements from the Supplementary Fund, profit sharing), which by contrast recorded a relatively modest increase of 3.8 percent.

A comparison between the data for the first 10 months of 1985--according to ISTAT--shows that there was an average increase of 9.9 percent in savings per worker as a result of the combined effect of a 10.7 percent increase in the direct part of the remuneration and a 7.6 percent increase in the indirect part. The individual sectors contributed to the average 9.9 percent increase in savings with percentage increases, respectively, of 12.6 percent in the chemical-pharmaceutical industry, 12.4 percent in the metalworking industry, 11.9 percent in the energy industry, and 7.4 percent in the transport-equipment construction industry.

The 60,000 unemployed of big industry are in part reentering the labor force through the high-tech vocations. In large part they are entering the service industries--both the advanced kind and otherwise--but in very many cases they are forced to accept work in the underground economy. And what of the others? According to a study by the Ministry of the Treasury technical committee on public expenditures that examines the data for the period 1977-1983, the ministries would probably be able to absorb an additional 40,000 employees. The major ministries--except for Health and Transport--are in fact understaffed to an extent that ranges, in terms of percentages, from 66 percent for the office of the prime minister to 90 percent for Budget and for Foreign Affairs, with the average being at around 75 percent.

A Slow But Continuing Hemorrhage (Base 1980 = 100)

1980	100.0
1981	86.8
1982	92.4
1983	87.8
1984	83.0

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ECONOMIC

ITALY

FIAT, ALFA ROMEO AUTO SALES INCREASING IN EUROPE

Rome LA REPUBBLICA in Italian 14 Jan 86 p 36

[Article by Salvatore Tropea: "The Italian Automobile Makes a Comeback in Europe"]

[Text] Turin--1986 will be the year of Alfa Romeo and Fiat: the former will have to find a way to wipe out a deficit that is now approaching 300 billion lire, and the latter will have to resume the alliance talks that were so abruptly interrupted after the failure of the understanding with Ford. Naturally, the most urgent problem is the one facing the automobile company that has state participation rather than the one facing the Turinese, who after all did close the year with an unprecedented profit for the group of approximately 1 trillion lire, by far the greater part of which was earned by the automobile division.

The 1985 balance sheet for the Italian and European automobile markets poses these topics once again. Overall sales are 6 percent above the figure for 1984 in Italy and 2 to 3 percent in Europe. The figure for France was 2.4 percent and Great Britain 4 percent; in Germany it remained below 1.8 percent. The Italian market has accordingly continued its upward trend, that is to say, a trend opposite to that prevailing in the community-wide market.

"The explanation of this phenomenon," observes the president of ANFIA, Engineer Carlo Righini, "lies in the fact that when sales were increasing in other countries Italy was falling behind and is today, therefore, merely recovering the ground lost. Moreover, we have the oldest and most fragile stock of automobiles in Europe, for which reason it is more than natural to anticipate its renewal and therefore greater sales. One must not, however, overlook the efforts that Fiat--and to an extent Alfa Romeo as well--have made with respect to models. It is a technique followed by the foreign car companies, which precisely for this reason recorded a greater penetration of our market in 1985."

In Europe, however, production capacity continues to be greater than demand: that is to say, only 9 million automobiles are sold but slightly more than 11 million are produced. "The reason," Righini says, "is that the continental market is saturated and is 90 percent dependent on the replacement trade. Any growth in sales depends on acquisitions of a second or third car. This type of market is strictly limited, however, and we therefore cannot expect for the next few years any increase in sales greater than 2 or 3 percent on the average."

To return to the Italian scene, sales in 1985 totaled 1,746,868 automobiles compared to 1,634,943 in 1984, an increase of 6.85 percent. The Fiat-Lancia-Autobianchi group slipped to 51.3 percent of the market, losing a few percentage points to the foreign competition; Alfa held steady at 6.5 percent; and Innocenti did not do better than 0.8 percent. The foreign firms increased from a 36 percent share in 1984 to 40 percent. Renault came first in this group with 10 percent of the market, followed by Volkswagen with 7.4, Ford with 4, General Motors with 3.3, Citroen with 3.5, and Peugeot with 3.2 percent.

Last December was something of a surprise, with 105,227 cars sold compared to 97,366 in the same month of the preceding year. The 8.7 percent increase is exceptional for a month that is normally not outstanding with respect to sales. This is another anomaly of the Italian market, but it cannot last for long if it is indeed true--as the president of ANFIA contends--that 1986 will be for Italy a year of adjustment in the market (and perhaps one of setback) with respect to the progress of the last 3 years.

Under these conditions it seems clear that the concept of alliances will soon resurface as an objective. On the Italian scene this will pertain to Alfa Romeo, whose replacement of a few managers will certainly not suffice to get it back on the right track. Fiat is in a different situation, one that is somewhat similar to that of the other big European companies.

Today the Corso Marconi company enjoys good health: it has a line of excellent models and its balance sheet shows a substantial profit. In the future, however, it must emulate its European competitors and seek an alliance that will enable the partners to produce on a larger scale and therefore have a greater combined impact. The company will probably resume talks with Ford itself, at least according to some accounts.

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ECONOMIC

ITALY

L'UNITA EXAMINES OECD REPORT ON NATIONAL DEBT

Rome L'UNITA in Italian 22 Jan 86 p 2

[Article by Daniele Martini: "Italy Holds the Record for Debts"]

[Text] Rome--In 1986 the Italian economy will set a record: for the first time in its history the national debt will exceed the value of the gross domestic product [GDP]. In other words, for the first time the figure for the total debt accumulated over the years by the national treasury will be so large that it will outstrip the value of everything produced in Italy (goods and services alike) in the sizable time frame of 12 months. The record we are going to establish is obviously a negative one.

When the OECD--the Organization for Economic Cooperation and Development--came out with its authoritative report on the forecasts for 1986, the news that we were advancing by leaps and bounds toward this not very flattering goal had already been known for several months. It was years ago, however, that the Italian national debt took off on a tangent and followed a growth pattern typical of a South American country. The fact that the GDP has been equaled and passed adds one more element (statistical and psychological) to what had by now seemed inevitable to everyone.

The five-party coalition has done nothing, or very little, to try to reverse this dangerous trend; even the economic maneuver for 1986 that was instituted by the budget does not, from this standpoint, introduce any substantial changes, in that it does not intervene vigorously, promptly, and with determination in the structural causes of the national debt. No corrective measures, for example, have been applied to the mechanisms that regulate current expenditure, the sector which--as everyone knows--is more than any other responsible for the torrential outflow of money from the state coffers.

In 1985, moreover, the growth of the national debt took place in the presence of an element of monetary policy which should instead have restrained it, namely, there was a gradual decline in interest rates, brought about by the monetary authorities through a reduction in the discount rate. The cost of money basically decreased, a circumstance that also enabled the government to have recourse to loans from its citizens (via the issuance of bonds) on relatively more advantageous terms. Nonetheless, the debt burden--as we have said--increased more than had been forecast.

According to the OECD, the ratio between the net national debt and the GDP will amount to 107.4 percent (as can be seen in the table we publish herewith). This means that the year just ended will show a leap forward of 8.2 percent. A comparison with 1975 is startling: in 10 years our national debt has simply left the field behind. Even 10 years ago we already held the negative world record; we were then at levels which were assuredly cause for concern, but the idea of overtaking the GDP still seemed to be out of the pages of economic fiction. Indeed, for a period of 5 years--from 1975 to 1980--the state coffers did not have to endure any additional bloodletting: the ratio between debt and GDP held steady at around 60 percent.

The breakdown occurred in the first 5 years of the 1980's. It was in this period that the perverse spiral of the debt began its spin, and this trend is anything but ended. A comparison with the other industrialized countries of the West discloses the negative peculiarities of Italian government finances. Ten years ago Great Britain was almost on the same level with us, and was the only country other than ours to find itself in difficulties. These difficulties persist for Mrs Thatcher but have not grown worse (at least in terms of percentages and statistics) and, above all, have attained levels which from the Italian point of view are enviable. Our country presents an indebtedness quotient that is 3 times the average of the "Big Seven." France is better off than the rest, with an index that the forecast for 1986 puts at 19.3 (although even in that country the trend is unfavorable: the OECD forecasts an increase of two percentage points from 1985 to 1986). Nor are these OECD forecasts very reassuring for the U.S. treasury: even in its case, the forecasts speak of an increase of around 2 percent.

The OECD contends, on the other hand, that there will probably be some improvements, here in Italy, in the ratio between the budget deficit and net private savings, that is to say, between the quantity of money that the state will collect from its citizens to finance its indebtedness and the quantity of money that Italians will succeed in setting aside by making use of the structures of the marketplace. From 92.7 this ratio will decrease to 87.1, remaining nonetheless at levels twice those of the other industrialized countries. This Italian investment is perfectly in keeping with the financial "boom" that began in 1985 with the great performances of the stock market and the apparently unstoppable success of the mutual investment funds and the annuities.

National Debts of the World: Ratio Between National Debt and GDP

<u>Country</u>	<u>1975</u>	<u>1980</u>	<u>1985</u>	<u>1986</u>
United States	25.6	20.4	29.3	31.4
Japan	-2.1	17.5	27.6	27.5
Germany	1.0	14.3	23.3	23.2
France	11.1	9.1	17.3	19.3
Great Britain	57.3	48.3	49.9	51.2
Italy	59.9	60.0	99.2	107.4
Canada	7.6	14.9	36.8	40.9
Average for "The Seven"	20.7	22.3	33.0	34.9

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ECONOMIC

ITALY

CER PREDICTS LIRA DEVALUATION IN MID-1986

Rome L'UNITA in Italian 22 Jan 86 p 10

[Unattributed report: "Craxi: Always Playing the Optimist"]

[Text] Rome--In 1986 there will be a new devaluation of the lira, and it is possible that a renewed and dangerous inflationary spiral will start. The rate of price inflation, however, will probably not drop below 7 percent. The CER [Center for Economic Research], the research center headed by the socialist Giorgio Ruffolo, forecasts nothing good for the current year. Another view is held by Bettino Craxi, who in a newspaper interview is profusely optimistic. The prime minister contends that the rate of inflation will decrease and interest rates continue to decline. These respective conclusions, in short, are quite divergent and are justified as follows:

The CER, in its study published yesterday, believes that "the plan for industrial restructuration formulated 10 years ago is bankrupt" and on that basis examines the possible future behavior of some of the variables.

"The lira," Giorgio Ruffolo's research center declares, "will probably undergo a downturn in value compatible with a restrained realignment of parity in the SME." That should occur around mid-1986, and will result in a slight improvement of our competitiveness vis-a-vis Germany. Inflation will not drop to 6 percent, as forecast by the government; a harsh 7 percent is taken for granted. If we then attempt to carry out a more severe devaluation than our European partners are able to allow us, we shall run the risk that inflation will rise sharply.

The CER then examines the problems of the national debt and the cost of money. "The size of the deficit," the CER says, "produces a tendency for interest rates to rise and a poorly planned growth of the monetary aggregates; it makes the problems of redistribution more acute and the financial situation more fragile." There follows a severe criticism of the choices made by the government: "The emergency measures," says the CER, "will be exhausted within a year and do not represent a solution that is either sufficient or effective." Hence the necessity for taking decisions "that will positively make it possible to contain expenditure over the medium term."

Now we turn the podium over to Craxi. The prime minister employs a different tone, and his forecasts are different. Here are some of his forecasts:

The rate of inflation will be 6 percent in 1986, the programmed ratio, while the deficit in the trade balance will be cut in half. His optimism is attenuated by only one observation: "The risk," he says, "lies in the deflationary processes that are present in all the industrialized countries--processes that could penalize our exports."

As regards interest rates, Craxi is once again confident. "I believe," he says, "that they will continue to decline, even though only partial results have been obtained to date." He then responds to the accusation--many times leveled against the government--to the effect that it is a "big spender," and aims a new barb in the direction of Confindustria [General Confederation of Italian Industry]: "The level of Italian social spending," the prime minister contends, "is not great, but it is not very productive. We have allocated to industrial restructuration an amount equal to the deficit in the national budget."

In essence, Craxi reaffirms his optimism and this time even quantifies it. Alongside his rosy predictions he places numbers and percentages. He does not, however, renounce an argument that has become dear to him: his defense of the role of the state in industrial restructuration. That role, the prime minister says, has been fulfilled; our enterprises are showing a profit; and production has increased and will continue to increase.

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ECONOMIC

ITALY

EFFECTS OF DOLLAR, OIL PRICE DECLINE ON RESTRUCTURING

Rome L'UNITA in Italian 25 Jan 86 p 9

[Article by Stefano Cingolani: "Once Again, Changes in the Scenario for the System of Production"]

[Text] Having only recently completed its adaptation to the shocks of high energy prices and the strong dollar, the Italian economy is faced with absorbing and adapting two counter-shocks: the decline of the dollar and the utter collapse of oil prices. The response to the two phenomena that characterized the recent past had been a production restructuring based on savings (energy, labor and capital) and greater flexibility primarily with respect to labor utilization, but also in the application of new technology to capital. This process, which brought about great changes in our production methods and social relations, is analyzed in a report jointly issued by the European Research Center (ERC) and the Institute for Social Research (ISR). Yesterday, Ruffolo, Onida, Ranci, Momigliano, Spaventa, Colajanni, Nesi and Altissimo (who contributed a personal message) debated the first of seven volumes detailing the report.

Before reviewing the conclusions of the debate we turn to the effects of the two counter-shocks. These were not discussed directly, but are of primary importance. This is so because the major restructuring of the economy indicates that it occurred following a series of closely connected macroeconomic developments and micro-economic reactions of the industries. Consequently, one may expect a similar sequential interrelationship in the near future.

A decline of the dollar and of petroleum prices implies a significant reduction of imports in a country like ours from which arise the dual benefits of an improved balance of payments and lowered costs to manufacturers. However, note that a large portion of our exports is to developing oil producing countries who will experience ever-increasing liquidity problems. Moreover, will reduced production costs in fact lead to reduced prices? Or will we witness increased profit margins (which are already substantial) which in turn will be devoted to non-productive financial operations? Lastly, the fall of the dollar will cause a rise in the value of the mark, provoking further monetary turbulence and adding to the difficulties of maintaining the lira within the European Monetary System (EMS). All of these are imponderables both for macroeconomic policy and industrial policy. This brings us to the major thrust of the article.

The 5 year period of the most intensive restructuring (1979-1984) resulted in lowered industrial productivity. There was no expansion of the productive base. There was no movement toward more advanced industrial sectors. On the contrary, instead of importing raw materials, we increasingly import semi-manufactured and investment goods (whose prices do not decline, since many come from Germany). As expressed by Ranci, our foreign trade sector, though greatly affected by the dollar and by oil prices, has become a domestic factor due to our malfunctioning system of production. "The significant recovery has effected only a narrow sector which most likely remains as such without effecting the rest of the economy," stated Spaventa. This paradox results from a series of missed opportunities, especially in economic policy.

Industrial policy, added Colajanni, does not work efficiently when employed as a system of automatic subsidies, nor, according to Spaventa, when it is conducted as a series of disjointed interventions. What, then, can point our economy toward greater productivity and more sophisticated technology? The system as it has existed cannot, (for we have witnessed its performance to date) nor, under the circumstances, can our managerial class. The solution lies mainly in a reform of our public administration and its procedures.

Momigliani stated that the public administration's excessive freedom to provide subsidies to various industrial sectors constitutes one of the most crucial weaknesses of our economic policy. Lastly, Nerio Nesi cautioned that the banking sector needs further development if it is to sustain effectively the growth and development of Italy's system of production. He announced that in a few weeks the Banca Nazionale del Lavoro will outline its proposal for merchant banking. He concluded that Italy's banks should prepare themselves for intense competition in a few years from the major international banks in the domestic market. And here, too, we risk being placed in a disadvantageous position.

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ECONOMIC

ITALY

POLL REVEALS CGIL LEADERS WANT TO DEMOCRATIZE

Rome L'ESPRESSO in Italian 9 Feb 86 pp 148-151

[Article by Tullio Fazzolare: "Classless: The CGIL Congress"]

[Text] The largest Italian union is changing profoundly. According to a poll by L'ESPRESSO, its leaders no longer believe in worker hegemony and want co-management.

Goodbye to factory occupation and pickets outside the gates. Enough of the savage struggles and the old dogmas like supremacy of the working class. It wants to modernize, and above all have greater democracy within the union: thus, from now on, fewer assemblies and more voting. This is the new CGIL that is to emerge from the coming congress, the eleventh in its history, to be held in Rome at the end of the month, 28 February to 4 March.

The largest Italian trade union wants to change its skin. Thus, as stated by its new secretary, Antonio Pizzinato (who within a few weeks will take over Luciano Lama's post), "the CGIL must be completely reformed, otherwise it will not last long." But in what way and in what direction should this reforming take place? To answer these questions, L'ESPRESSO questioned directly the men who should later be the main protagonists: they are 157 (out of a total of 200) members of the CGIL regional secretariats, officials of the category organizations (from metalworkers to laborers to public employees), and secretaries of the union branches of the most important cities. In effect, these are the "colonels" of the CGIL who control the union organization throughout the country. From their answers to the questions in the L'ESPRESSO poll, a specific indication is evident: the CGIL, as Pizzinato says and Lama would like, must change, it must emerge from the latest years of crisis (beginning in 1980 with the defeat at Fiat and culminating in June 1985 with the failure in the referendum on the wage scale), by becoming more pragmatic and more reformist.

A New Identity

In the view of the majority of those interviewed, the union is destined to assume responsibilities different from those it has had thus far. Almost 58 percent of men in the CGIL organization maintained that it is now time to aim at co-management. Thus, the objective is a union that will actively

participate in management's decisions: from investments to the new technologies, and including the number of workers employed, everything should be discussed and decided by joint agreement. Bruno Trentin, one of the CGIL's historic leaders, commented: "None of us expect to sit on the boards of directors of the companies. However, it seems right to me to 'reach together' the decisions that affect us." Not all the CGIL leaders have come to this conclusion, however. There are still some 42 percent, a kind of "hard core" of the old trade unionism, who are convinced that strikes and confrontations must be used with greater decisiveness in opposing the owners. However, even some of the die-hards took care to add a kind of postscript: confrontation is useful to be able to achieve stronger positions in comanagement.

Another sign of the change coming about in the CGIL is the "pact among producers," that is, among workers and managers, proposed by Lama. More than half of those polled (50.7 percent) were in favor of achieving a social truce of this kind. On the other hand, 39.1 percent considered it not useful, and another 10.2 percent as outright dangerous. However, even this dissent covers various shadings. The alternative to the "pact among producers" is not presented as war to the bitter end with the owners: "It is better to reach some agreements on concrete things," said Antonio Lettieri, confederal secretary and one of the leaders of the CGIL left, "rather than a pact with a capital P." He added: "Before thinking about a pact of this kind, many of us would like to clarify two things: first, for what common objective, that is, for what development of the country, does this agreement need to be made; and second, between the union and management should there be specific rules of the game respected by everyone." Within the CGIL, on the other hand, there is still a little reluctance. However, despite everything, the majority is optimistic and believes in the value of Lama's proposal.

Open Union

Major changes are called for also within the CGIL. And it is significant that it is the organization leaders themselves who are affirming the necessity. They are the ones calling for greater democracy in the union. Of those interviewed in the poll, 60.7 percent maintain that voting by secret ballot is the best way to express the will of the members. Only 39.3 percent believe still preferable the old assemblies in which the vote was by show of hands without too much concern about counting and the number present, and perhaps even in a psychological atmosphere in which the one with the loudest voice won.

However, a democratic majority is not enough for the CGIL leaders. By a majority (51.3 percent) they are convinced that the union, as it is today, no longer faithfully represents the real needs of the workers. And not only that. Though having experienced years of work in the factory, the men of the largest Italian union realize that today the work world has changed. Without hesitation, 68.6 percent declare that the working class is no longer the dominant class. And they add that from now on one must take into account a whole series of new vocational profiles. And also new realities and needs that no longer concern only the work place or work position.

On issues from the tertiary sector to ecology, the major part of the

respondents say that the CGIL should show itself more open to what is happening outside the factories. Vice versa, one does not want to open up too much to the parties. A total of 93.6 percent of the leaders (even though a majority are communists and one-third socialists) are convinced that in future their union must be less tied to the parties. It is no accident that they affirm by a majority that the union is already important and decisive: 53.2 percent of those polled maintain in fact that it has enough influence in political life.

Government and Management

Instead, it is in the relationship with the industrialists that the CGIL organization laments the union's limited influence. And its requests are directed toward this issue. A percentage of 57.3 call on the industrialists to "give the union more scope." Another 35.6 percent are more explicit: the union should have more participation in the enterprise decisions, from investments to formation of factory staffs. Thus resurfaces the objective of co-management, characteristic of a reformist union. But that is not enough. Along with semitrade demands such as "protecting employment" (48.4 percent), "reduction of work schedule" (33.7 percent), or "sitting at the negotiation table for contract renewal" (20.3 percent), new demands are beginning to gain ground.

For example, the demand that management pay more attention to problems of the environment (12.1 percent). Or whether they pay attention to evaluating worker achievement (11.4 percent). Finally, there are fewer CGIL leaders (10.1 percent) simply calling for wage increases than who want to relate such increases to greater productivity (12 percent). And another fact is even more significant: 98.3 percent of those interviewed, almost a plebiscite, are convinced that the wage increases in the coming national labor contracts should be differentiated. Hence, more pay to those who have tasks of higher responsibility. The massive support of this approach puts an end to the old maximalist union calling for equal increases for everyone, as the CGIL was indeed in the past.

The moderation seems to prevail also in encounters with the government. The judgment of Craxi's five-party setup is not positive, but nor is it too severe: with opinions expressed on a scale of 1 to 10, it gets a report of 5.34. And one responder, after awarding Craxi a 3 or a 4 for his economic policy, gratuitously added that on his foreign policy alone he would willingly have given him a 7 or an 8. However, one thing is sure: the CGIL questioned in the L'ESPRESSO poll would prefer another majority in the government. Thus, 52.1 percent favor a left alternative, with the PCI and PSI flanked by the minority parties, while 47.9 percent instead favor the so-called "government of program" that, in addition to the socialists and communists, would include the DC. And 2 percent of those interviewed stated, however, that this formula would only be a way of later achieving the left alternative.

However, what do the CGIL men ask of the government in office? At the top of their demands is a "policy to promote employment" (51.5 percent); then greater tax fairness (39.4); but also reform of the inefficient welfare sector, as well as the health and social security sectors (38.8 percent). Others (11.4

percent) want reform to make the entire public administration work, "which is causing hardships to the entire community."

The new CGIL, therefore, no longer wants to close its eyes at the factory gates. Gerardo Chiaramonte, dean of PCI senators and one of the Communist Headquarters leaders who was most in favor of the Pizzinato appointment, stated: "The orientation of the CGIL leaders also seems clear to me: not lingering in a purely defensive action to protect an old system of guarantees, won by the workers in the past but today made ineffective by the production and social transformations that have occurred." The reformist union, that of the Lamas and the Pizzinatos, is awaiting the official opening of the next congress.

Workman Is No Longer in Hegemony

This is how CGIL leaders responded to the first group of questions in the L'ESPRESSO poll: the hegemony of the working class is ending; more democracy; better comanagement of the difficult struggle.

1. Is the working class still to be regarded as the dominant class?

--Yes	31.4 %
--No	68.6

2. What should the union aim for?

--A tougher struggle	42.1
--Comanagement of enterprises	57.9

3. In order to have more democracy within the union which do you regard as preferable?

--Secret vote with referendum	60.7
--Vote by show of hands in assembly	39.3

4. What is your opinion of Lama's proposal for a "pact of producers" between management and workers to revive the economy?

--Favor	50.7
--Not useful	39.1
--Dangerous	10.2

The New Objectives

From an employment policy to reform of the welfare system, here are the main demands by the CGIL leaders, to the government and the managers in particular. Each of the 157 persons interviewed in the poll could indicate three demands.

5. Is the union as it is today still representative of the workers' real needs?

--No	51.7 %
--Yes	48.3

6. The wage increases established by the next contracts should:

--Differ according to the vocational ability of the individual worker	98.3
--Be equal for all	1.7

7. In your opinion, what is the preferable government form?

--Left alternative (PCI, PSI, etc.)	52.1
--Program government (DC, PCI, PSI, etc.)	47.9

8. What are the unrelinquishable demands to be made to the industrialists:

--Give more scope to the union	57.3
--Employment protection	48.4
--Union participation in decisions (investments, staff, etc.)	35.6
--Reduction in work schedule	33.7
--Renewal of contracts	20.3

9. What are the unrelinquishable demands to be made to the government:

--Employment policy	51.5
--Greater tax fairness	39.4
--Reform of the welfare system	38.8
--Nonrecessive economic policy	35
--Commitment to the south	24.2

[Boxed item: "Greens and Alternatives," by Gabriele Dossena. Is an alternative union being born? Homosexuals, naturists, and ecologists have succeeded in imposing their motions at numerous provincial congresses of the CGIL held in the past few days in preparation for the national event.

The most striking episode occurred in Bologna, during the provincial congress in the Emilia capital: 486 delegates (three opposed, and five abstaining) approved a motion stating: "Despite 15 years of political struggle for homosexual liberation, the society and institutions are still unmoved in their prejudice against them, in particular, anyone who affirms his homosexual personality still finds difficulty in the work world, both in being hired and holding onto his job." What is the union asking for specifically? First of all, more discussion among workers to overcome any form of prejudice and lack of solidarity," explained Beppe Ramina, of the ARCI-Gay national secretariat, "secondly, promotion and support to all possible initiatives for overcoming laws and regulations that differentiate homosexual workers from others, for example the family allowance and access to public housing; and finally to promote full recognition in the work site, without withdrawing credit for the

reason of the sexual nature of individuals."

In Ravenna another initiative proposed by a naturist movement was approved, for nudity freedom on the Romagna coast. However, the surprises do not end here: the front saying "no" to nuclear plants received 53 percent of the vote at the congresses thus far held (by large majorities at Bologna, Varese and Lecco). The Piemonte metalworkers voted outright no by 70 percent.]

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ECONOMIC

ITALY

DE BENEDETTI BLAMES POOR RECOVERY ON INEFFICIENCY

Rome L'ESPRESSO in Italian 9 Feb 86 pp 156-159

[Interview of Olivetti President Carlo De Benedetti by Salvatore Gatti; date, place not specified]

[Text] With the decline in inflation, according to the president of Olivetti, a new scenario is unfolding: the production system can no longer hide its own inefficiencies and must grow in real terms. As for the "pact" proposed by Lama...

The economic and social situation is again taking a turn for the worse. More than the figures--high inflation and record unemployment--the trend reversal in the last few weeks is due to the repeated demonstrations of impotence by the government. The finance law has been approved with difficulty, with a surge of confidence votes: the agitation of the doctors is paralyzing the country; the most important bills are tied up in Parliament; and appointments to the agencies and public banks are frozen. The political situation is not very promising, one has the clear sensation that the government is not able to lead the country's economy here in 1986. However, this can be a turning point year, an opportunity that should not be lost, because the international situation is instead positive for the economy. Luciano Lama has proposed in the columns of L'ESPRESSO a big "pact among producers" to restore the country. And among the most important supporters he has identified Carlo De Benedetti. What does the president of Olivetti think about the economic situation? And about the political situation? What outlets do you envisage to emerge from the crisis? We take our bearings with him in this interview for L'ESPRESSO.

[Question] Engineer De Benedetti, the political situation is turning for the worse. And it is likely that 1986 will end up being a lost opportunity...

[Answer] "It is true that 1986 is ready to offer us the unusual opportunity to lower inflation to a level no longer remembered in Italy, but which was normal in other times, and in other countries such as France has instead been reached today. I am talking about an inflation of 3 or 4 percent. There is, indeed, an unusual international economic situation: we have a falling dollar, and raw material prices also declining, the fall in international interest rates, and also a social situation in Italy that is certainly manageable, if we could offer development prospects for all, and employment for those not working, particularly for the young people."

[Question] Specifically, what results could we achieve?

[Answer] "This situation could enable us to harvest the fruit of the actions to restore Italian industry carried out during the past years, we could lower interest rates by 4 or 5 points, we could reembark on the path of development. However, we will probably let this favorable opportunity escape because of the inability of the political class to manage it."

[Question] The demonstration provided by Parliament these days is rather discouraging...

[Answer] "The progress of discussion on the finance law in Parliament is very discouraging. A finance law that is in itself very modest, a real glass of water in relation to the purgatives that are necessary, it has been tortured, worsened, reduced, because the interests creating this behavior are clearly different and contrary to that course of possible restoration of the Italian economy that I have tried to outline. There is a little too much discussion about power, who should have it, how to divide it."

[Question] What should we be concentrating on instead?

[Answer] "What is needed is that there finally be agreement on solving the two major themes of the country, of which all the others are offshoots or dependent variables. I am referring to unemployment and the public debt. On these two major themes hangs the future of the country in economic and social terms, and in terms of participation in the process of international political and economic development. Indeed, we need to set very ambitious objectives, because the country can and must develop at rates of 5 or 6 percent."

[Question] Why?

[Answer] "Because the growth rate currently forecast (rates of 2 or 3 percent) cannot absorb, but will instead worsen, the unemployment phenomenon, and for this reason this kind of rate is not compatible with the level of public debt and with the type of public expenditure through which we continue to consume, by the path of inefficiency, resources that are removed from development. These major priorities, on which it is necessary to find agreement, are priority for the country and not for this or that party. And after an agreement of this type, the country has the overriding need for this to be possible, for there to be management and not uncertainty, negligence and impotence."

[Question] The current political situation instead leads to the easy prediction that everything will be postponed, once again...

[Answer] "Unfortunately that is the case. But sooner or later, we will have to face these problems. I ask myself, however, why we should be so masochistic as to bring ourselves to do so at a time when we will be bogged down in greater difficulties and we will be under an international sky that is more cloudy than today. Each party, leader, and movement finds a motive for this national masochism in its own ambition, in hostility in encounters with

its own opponent, which results in a destructive attitude in the country's dialogues."

[Question] The economy of the industrial countries has entered a phase of decline in inflation over at least the past 2 or 3 years. What does this change in scenario mean?

[Answer] "The Western economy, from the postwar period to the beginning of the 1980's, has experienced two major scenarios: the first in the 1950's and 1960's, of high real growth with explosive inflation. Today, the latter has declined again throughout the world, not including Italy, with a real growth that nevertheless remains modest and above all inadequate to reduce the unemployment inherited from the 1960's."

[Question] To many, deflation is synonymous with stagnation. Would you theorize that, basically, a little inflation would help to ease the crisis...?

[Answer] "The deflationist scenario in which we find ourselves, and in which we will find ourselves living for the next few years, does not at all mean that the Western economy is doomed to stagnation. We can regain the path of growth without inflation, but we will have to show that we understand and know how to tackle this radical change."

[Question] In what sense?

[Answer] "In the years of the major inflation, everyone--from the savers to the companies, to the states--equipped themselves to defend against the inflation, to win out over the inflation. The economy of real values was submerged by the tumultuous generation of monetary values. Debts had a premium over credits and real jobs; speculation had a premium over development, and monetary increase over actual productivity. Inflation balanced so many accounts, covered so many errors, and put all on the same level, the good and less good, productive and less productive, in the balances of both companies and of the state."

[Question] And now the situation has changed? In what way?

[Answer] "The game is over, because the context has changed: economist Marco Vitale was right when he said that company balances are beginning to weaken a term that characterized them for many years, the "tools of inflation." In its place is emerging a new term, the "losses of deflation." What is needed is appropriate methods and new rules, both for individuals and for companies and the state, to cope with this new scenario, which offers opportunities of great interest."

[Question] What are the new rules?

[Answer] "The new fact to which we had become unaccustomed is the coinciding of real values with monetary values. Today, one can no longer recover from one's own inefficiencies by speculating on increase in monetary values. Today growth in turnover or in a country can only come about through increase in real values. Growth in profit margins can come about only through work on

the unitary value added: on productivity. Increase in prices can no longer serve as the escape valve for one's own management inefficiencies. Thus, we need to think in terms of real dimensions, real growth, real investments, real solidity, efficiency."

[Question] And what is the future for countries with high deficits, such as Italy?

[Answer] "Whoever is in the red and has a high debt will have a more difficult life: for this reason it will be less easy for the heavily indebted countries such as ours to find an exit. And this is perhaps why our country is not doing much to effectively reduce inflation: because the 11 million per capita of the 650 trillion in accumulated public debt that the state should return to each Italian is less heavy in terms of lira if the lira depreciates."

[Question] In your view, what should be done then to ease the problem?

[Answer] "Work on productivity. But not a productivity toward the bottom, that is, based on cutting employment, minimizing costs and also activities. In Italy, the substantial cycle of investments in these years has been aimed primarily at restructuring and rationalization of plants--as the IRS-CER [Social Research Institute-Europe Research Center] report on industrial policy emphasizes--not so much in prospect of future increases in production as reduction in costs. This is still a cycle aimed at restoring the old, not creating the new. Nor can one conclude that an improvement in production processes automatically translates into an improvement in competitiveness of the products."

[Question] In what direction, then, should the new economic policy be oriented?

[Answer] "One gains competitiveness today by genuine innovation in technology and products. I am thinking about a productivity upward and toward the new, in order to 'invent' new products and new markets, to force and accelerate the growth to that 5 or 6 percent at which we were aiming in the beginning, in order to jump rapidly into the new industrial cycle that the new technologies are opening up. We have hardly begun to realize what opportunities the new computer technologies can provide: there is still an entire revolution to be carried out to move from an industrial system based on production and transfer of physical goods to a new system based on production and transfer of knowledge."

[Question] Are we not behind, anyhow? Don't we risk being left overwhelmed by the major technological areas outside Europe?

[Answer] "The opportunities, which at this time no country, including the United States and Japan, yet entirely controls, are available and can be grasped by anyone--company or country--that has the will to accept the risk and the capacity to make a jump of imagination. The funds available, and there are plenty, are increasingly running less to haven assets, as they did in the 1970's, but seeking outlets where there is a prospect of change, even if risky, where there are opportunities to build something new."

[Question] In your opinion, has the Italian Government understood this new situation?

[Answer] "Some governments have already begun to grasp that petty coasting trade, the policy of very short-term survival, does not pay, and that the different scenario in which we are operating and its new prospects require investments for the future, investments in human resources (education, research), and in infrastructure (physical links, communication networks, national services). Italy... is what we said at the outset."

[Question] Luciano Lama made a very explicit economic policy speech, based precisely on the new technologies, and departing from the observation that the union has finally finished with the wage scale issue and can tackle this new adventure of reviving the country...

[Answer] "I cannot be gratified, as Lama is, over the fact that it took 5 years to resolve, if it has been resolved, the issue of the wage scale. Lama says this now frees the union from an issue that had preoccupied its attention, causing it to neglect other topics such as the problems of unemployment, public deficit, the social state, and the country's development. I look forward to this, even though it is all yet to be confirmed; yet it seems unbelievable to me to admit having been stalled for 5 years on the subject of the wage scale, neglecting the other topics."

[Question] Lama also proposes a "pact among producers" for development of the country. Do you agree with that?

[Answer] "The words aside, what does he mean? Is he prepared to do battle with the corporate pressures to seek all courses for development? A pact for development also means willingness to accept the sacrifices required to put in motion the machine of a growth adequate to solve the problems we are facing. We should stick to the basic objectives, which should be shared. And this has been my intention for at least 10 years, ever since, as chairman of the industrialists of Piemonte, I myself began to talk about a pact for development."

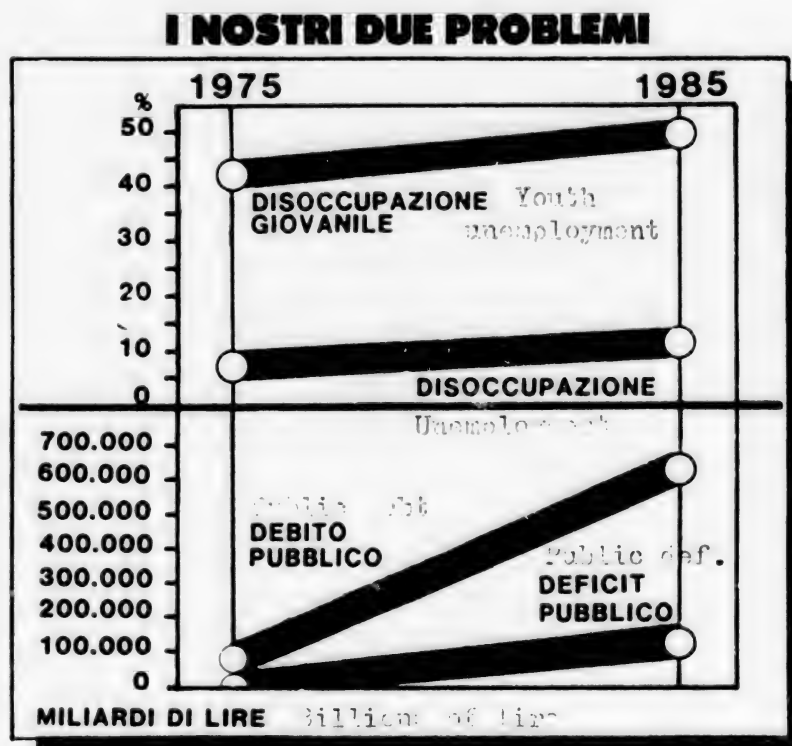
[Question] According to the CGIL secretary, the main objective of a "pact" should be struggle against unemployment, and in particular against youth unemployment: in Italy it is about 50 percent, a not very enviable record among the Western economies. What do you propose?

[Answer] "Creation of jobs for youth can only come about by aiming for the new, accepting the risk of the new. It is necessary to establish major investment programs that will enable establishment of the bases for a new industrial cycle that will use the key resources of intelligence, imagination and determination, typical of young people. Major investments are not only the bridge over the Strait of Messina or the Channel Tunnel (though the symbolic importance of those initiatives is important): they are also and above all the new networks of infrastructure, telecommunications, data communications, training, research, and efficient social and cultural services. The establishment of an equipped environment for growth of the

entrepreneurial type for all the "country system." The resources exist, it is a matter of mobilizing them."

Our Two Problems

Unemployment, particularly youth unemployment and the public deficit, which year after year mounts up into the public debt, are the two key themes of economic policy, according to Carlo De Benedetti. These graphs show how the two problems have worsened during the last 10 years.



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ECONOMIC

ITALY

ZANUSSI MODERNIZATION STRATEGY BRINGING RECOVERY

Rome L'ESPRESSO in Italian 9 Feb 86 pp 167-168

[Article by Leo Sisti: "Workers in the Fridge"]

[Text] Zanussi, the largest manufacturer of household appliances in Italy, is turning profitable. The crash therapy of the Swedish owners, less manual labor and more robots, has yielded the first results. And the deficit has been cut by more than half.

"The situation of Zanussi? It has improved, but the enterprise is not yet restored." From Stockholm, headquarters of Electrolux, Anders Sharp talked with a tone of "cautious optimism." He is director general of that Swedish colossus of household appliances, which since December 1984 is the new owner of Zanussi.

Sharp sits on the board of directors of the Pordenone company and is its guard dog: the figures and strategies developed by those directing Zanussi in Italy pass through his hands. He did not comment on the results of 1985, following the shivers of bankruptcy at the beginning of the 1980's. However, he admitted that the 126 billion lost by Zanussi in 1984 was a long-time record. In short, the deficit will be cut by well over half: according to the trade unions, it will definitely not be higher than 40 billion at the end of 1985.

Zanussi's march toward recovery will not have the flavor of those seemingly never-ending stories, such as Montedison, where 10 years had to pass before Foro Buonaparte returned to the prospect of a dividend.

No, already this year, in 1986, many are betting that at Pordenone the red will disappear from the balance-sheet: already in the last 3 months of 1985 the accounts closed in the black. Also because major innovations are in prospect. Let us listen further to Sharp: "Gianmario Rossignolo and Carlo Verri, president and director general of Zanussi, have done a fine job. In the first phase, they tackled restructuring of the group and thus replaced the management and relaunched the organization. Now they are facing the second phase, that of the investments." And hence, technological modernization: in practice, robots and automation, which will change the features of the traditional factory.

"You will see, you will see," Rossignolo had promised last summer. "Porcia, the largest plant in the group, near Pordenone, you wouldn't recognize it anymore." The industrial prophecy will see its epilogue shortly after the second half of 1986, when the plant will begin to install robots. The type of factory that Rossignolo--a manager who is a Fiat product--has in mind is the Mirafiori plant of Fiat, where the "Uno" is produced, or the Termoli plant, where the "Fire" engine is built.

At Porcia a decreasing number of workers will be seen in activity, especially when the installation is in operation, before the end of 1987. The whole project, along with changes made in other appliance plants, will cost more than 100 billion in 1986 alone.

The Porcia reconstruction will be the second stage in this technological revolution at Zanussi. The first is underway at Susegana, in the Conegliano Veneto area, a factory planned to become a production center only for washing machines. It will produce the new washer, of which technical wonders are promised, that was launched recently in anticipation of the Colonia Appliance Fair.

Both Sharp and Rossignolo are expecting great things from these innovations. For two reasons: because they have decided that Zanussi should increase its production of household appliances, bringing it to over 4 million units from 3.8 million in 1985; and because they will thereby succeed in reducing costs, making their product competitive. Today, Zanussi and Electrolux together control a good 25 percent of the European market in "white" appliances, and want to launch a war that will enable them to nibble away at the competition's share. The Pordenone plant is to have a leading role in the plans of the two companies. Sharp himself confirmed this: "With the reorganization that has been done, and is yet to be done, at Zanussi, the Italians will be producing more than Electrolux."

And what will happen to the employees? Today there are 16,000; already last year there was a reduction of 2,850, among whom some who resigned or who were among personnel of enterprises or companies conveyed by Zanussi to other owners. A further 1,000 will be put under the Unemployment Benefits Fund during 1986: but will they in fact? Already some of these will come back to the plant: they are needed to meet market demands; demands that should be explained: on the one hand there is a degree of recovery, and on the other, the crisis of Indesit operates in favor of Zanussi.

What happened was that in 1985, after a first half that had a number of disappointments for appliance producers, the situation changed for the better in the autumn. To the point that in the last 3 months of the year--when you break down the figures--Zanussi closed its accounts with a profit.

Sales are also satisfying during the first months of 1986. Abroad, for example, some markets have revived, such as France and Germany. And Zanussi wants to benefit from this, though with great care, for a very simple reason: throughout Europe there is a consistent production over-capacity, in fact too many producers are unloading in shops appliances that remain unsold. Thus, in

order to make headway in these cemeteries, you have to be able to offer the right product at a suitable price.

However, in order to have refrigerators, dishwashers and washing machines on which you are beginning to make consistent profits, you need to shave costs: precisely with robots and other innovations on the automation front.

At that point, when the technological investment programs have reached their peak in 1987, Zanussi will find itself once again having to settle matters with the personnel. However, in the meanwhile its managers are relying on being able to send those over 50 home early on pension.

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ECONOMIC

NORWAY

CENTRAL BANK CHIEF WARNS GOVERNMENT ON OIL PRICE DROP EFFECTS

Government to Propose Cuts

Oslo AFTENPOSTEN in Norwegian 13 Feb 86 p 4

[Article by Morten Malmo: "Government Alarmed by Oil Prices"]

[Text] As a result of the decline in the exchange rate of the dollar and falling oil prices the government will present Storting with a number of proposed changes in the already approved budget for 1986. There will be changes in both outlays and revenue. AFTENPOSTEN has been informed that it is unlikely that the government will wait for the coming wage contract settlements before presenting the proposed cuts.

It is not known how large the cuts will be. However there is reason to believe that the cuts will affect budget items where appropriations are tied wholly or in part to dollar payments. Unless such items are corrected to reflect the declining exchange rate of the dollar there will be a real increase in appropriations. Budget items that were assigned definite amounts corresponding to certain assumptions about oil prices must also be corrected.

Big Impact

The drop in oil prices combined with the decline in the exchange rate of the dollar will lead to smaller state revenues from the North Sea than previously anticipated. In January and February of last year the price per barrel was 280 kroner. In its final proposal for the 1986 budget which was presented just before Christmas and approved by Storting, the government estimated that the price per barrel would be 180 kroner in 1986. On this basis the Finance Ministry estimated that oil revenues for this year would amount to 38.1 billion kroner. OPEC, which recently issued its controversial report on the Norwegian economy, estimated that oil would sell for 187 kroner per barrel in 1986. AFTENPOSTEN has learned that the Finance Ministry has made calculations showing what would happen if the price per barrel falls to 145 or 110 kroner. If the price drops to 145 kroner per barrel, state revenue this year will decline by 7 billion kroner compared to the budget estimate, but if the price falls as low as 110 kroner per barrel there will be a drop of 14 billion kroner in state income. For purposes of comparison, we can note that the entire Defense Ministry budget for this year amounts to around

15 billion kroner. However we must remember that declining oil prices do not have an exclusively negative effect on the national budget and that is why adjustments are being considered in both outlays and revenue estimates.

Best Time

Although it is always politically difficult to propose budget changes and cuts, the government apparently feels that the best time to make such a move is right now. The prevailing view is that a move of this kind is harder to carry out politically as we approach another election campaign. The government has a clear recollection of the last election campaign when the opposition picked up votes on the strength of its constant demands for additional spending in virtually all areas.

Bank Director Sees 'Imbalance'

Oslo AFTENPOSTEN in Norwegian 14 Feb 86 p 33

[Article by Ole N. Hoemsnes, Truls Martinsen, Cecile Nordland and Morten Wang: "Norwegian Course Change Imperative"]

[Text] A sharp rise in unemployment, big public budget deficits and a substantial loss of competitiveness could result unless the government makes changes in its economic policy. That was central bank director Hermod Skanland's bleak forecast for the Norwegian economy. In his first annual speech to Norges Bank yesterday he strongly condemned the government's expansive fiscal policy and unrestrained credit policy, stressing that Norway, with its oil-dependent economy, has no choice: there must be policy changes before it is too late.

The head of the central bank placed special emphasis on the fact that Norwegian dependence on oil revenue is a constant problem and that the current drop in oil prices simply underlines the problems facing us. He also pointed out that the pressure on the Norwegian economy is so great now that it will be really hard to take steps to effectively correct the imbalance in our economy.

The main criticism of the government was that it has pursued an expansive fiscal policy in a period of prosperity and combined it with a credit policy that inevitably led to an explosion in credit availability. The message from Norges Bank is that the regulation opportunities we once had no longer work and that the government must assume the responsibility of cutting public budgets. He also maintained that Norway must be very cautious because future oil income is so uncertain.

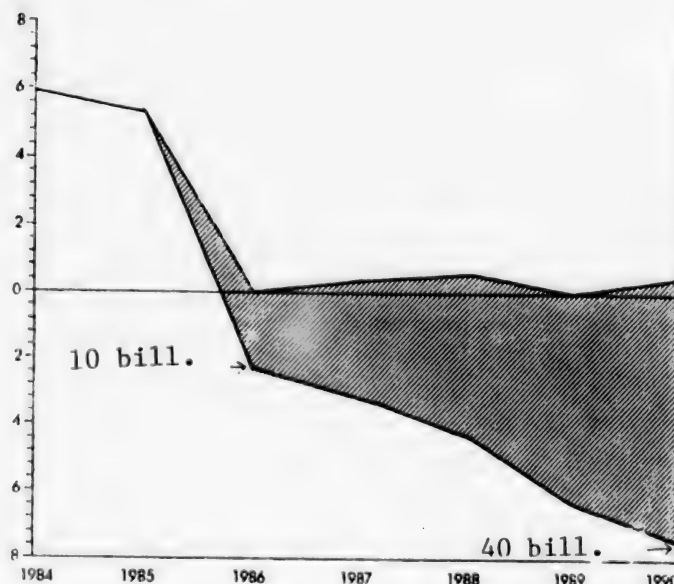
Tighter Fiscal Policy

"The most important thing now is to have a fiscal policy based on outlays that do not exceed the income one can count on in the long run. Such a fiscal policy based on long-term balance means that we must refrain from solving problems that may seem urgent by increasing public budgets," Skanland said.

He made this point at a press conference in connection with the annual speech yesterday and added: "It is reasonable to check costly reforms." He also said that austerity measures should start as early as this year and that the government should concentrate on reducing outlays, especially in the form of subsidies and transfer payments.

"A long-term budget balance also means that we must control our commendable desire to solve employment problems with an expansive fiscal policy," said Skanland. He pointed out that our ambitious employment policy goals have led us into an expansive policy in a period of economic growth. He also underlined the need for a change in the tax system and said that a gradual implementation of necessary tax reforms would lead to correspondingly gradual economic improvement.

"Many nations have shown that it is necessary to come to the edge of the precipice before turning aside and starting to make the steep climb upward. Couldn't we try to change direction while the going is still easy?"



If oil prices do not rise from the current low level, 138 kroner per barrel as of 7 February, we will have steadily rising deficits in our operating balance in the years ahead. In 1990 the deficit will be 40 billion kroner.

Prospects Bleak

Skanland illustrated his perspective of the Norwegian economy with a model of the effects of a continued expansive fiscal policy under present budget

limits. In addition to mentioning the dangers of increased unemployment, rising export deficits and a further decline in competitiveness, he said that a continuation of present policies and trends would make our economy even more dependent on oil.

"To produce a balance in the 1990 operating account, the real price of oil in terms of Norwegian kroner must increase by around 40 percent over the current level, which is set at 140 Norwegian kroner in the model. But we know very little about future oil prices and have no probable price estimate on which we can base our plans," Skanland said.

He demonstrated that with an oil price of 140 Norwegian kroner we would have a sizable deficit in the national budget. Oil prices are now down to 116 kroner and even with a price of 140 kroner we would have the same debt and interest burden in 1990 that we had in 1980.

"With a deficit resulting from declining oil prices the state must finance its budget by borrowing money. The deficits cannot be financed by drawing on cash reserves for more than 1 or 2 years," said Skanland. He pointed to the consequences of state borrowing. If the state borrows money inside the country it will lead to reduced consumption and thus lower employment. If money is borrowed abroad, interest payments will put a sizable strain on our foreign trade balance in the years ahead.

"We were able to pursue such a policy with some success in the 1970's because we had fairly reliable expectations of a sharp increase in revenue in the years ahead. Today the cost of borrowing, real interest, is about twice what it was then and our expectations of revenue increases are much less reliable," Skanland pointed out. He also stressed that these bleak prospects apply to the situation if the government continues to pursue an expansive fiscal policy and said that a clear political resolve to change this trend is required.

"We must face the fact that the possibilities of regulating our way out of problems that stem from our policy are limited and that they are declining. This makes it all the more necessary to do something about policy," Skanland said. He pointed out that credit budgets are routinely exceeded and that regulations have little effect because loans and credit available simply shift to the unregulated market.

He also said that the effect of currency regulation is gradually diminishing, although it still makes a substantial impact.

He criticized the unrestrained credit policy combined with an expansive fiscal policy and advised the government to adjust its assumptions so that it can pursue an effective policy.

Moderate Contracts

"The situation indicates that there is no room for an increase in real income. It is not my intention to issue any directive to the factions in the contract settlements, but it is quite obvious that this year's contract

negotiations will help to determine employment developments," Skanland said. However he also said that income policy is the government's responsibility and that the authorities cannot push responsibility for moderate contract settlements onto labor market factions.

LO Leaders Used to Gloomy Forecasts

"Doomsday predictions prior to contract settlements are as regular as the settlements themselves. We are used to them," Norwegian Federation of Trade Unions [LO] deputy leader Leif Haraldseth told AFTENPOSTEN. "They usually come from the Norwegian Employers' Confederation. This year they are being made by the government and the new head of Norges Bank," Haraldseth said.

Skanland issued strong warnings against the current contract system and said that appeals for moderation do not reach the job sites, where wage developments are now determined. He also said that this spring's wage settlements will affect jobs far into the 1990's and that we have 20 years of experience to prove that the present contract system leads to a steady weakening of competitiveness and that it probably does not safeguard employment either.

LO's deputy leader called Skanland's description dramatic. "The Norwegian labor movement has been responsible in handling wage rates. It will be no different this time," Haraldseth said.

He admitted that LO's dilemma with regard to income policy is the sharp increase in the local part of wage formation at the expense of the central portion, but pointed out that this is decided by two sides. "I cannot remember that there have ever been disputes about local settlements. Both employers and employees must share the responsibility for this development," he said.

"LO has always taken employment into consideration. We will continue to do so in these contract negotiations," said Haraldseth. "But our actions are not the sole deciding factor. When it comes to employment we in Norway are very dependent on what happens in the international community," he said.

Strong Political Attack

Kreditkassen's chief economist, Tormod Andreassen, regards Hermod Skanland's speech as a strong attack on Norwegian politicians who think in shortsighted terms. Skanland's criticism is in line with OECD's criticism. "It is quite justified," said Andreassen.

The overall guidance of the Norwegian economy is a political responsibility. "Politicians cannot go on blaming each other when developments go the wrong way. They have a mutual responsibility," said Andreassen who said that some of Skanland's future predictions might be too pessimistic.

Andreassen also emphasized Skanland's views with regard to currency regulations and the fact that they may not be as effective as we might wish.

"I think he should have gone all the way and recommended the total elimination of the regulations," Andreassen said.

Time to Appoint New 'Growth Committee'

"The situation in which we find ourselves should make us think ahead. We must use our intelligence and our mental capacity to find out how we can live without the oil income, as we were able to just a few years ago," director Kristian Asdahl, chairman of the board, said at the annual meeting of Norges Bank yesterday.

Director Asdahl felt it was reasonable for the government to cooperate in establishing a broadly based "growth committee" to look into and deal with an issue like this. Such a committee should consist of imaginative people with broad experience in Norwegian and international business activities.

"New development and new jobs should be high priorities in the future and this should be something everyone can agree on, regardless of political conviction," Asdahl said.

The loss of oil income means fewer public resources for vital purposes. We can live with moderate deficits in the national budget for a short time and in a transition phase, but in the long run we must have balance. This means either higher revenues--or lower outlays.

"No business in this country would sit calmly by and see export revenues of around 37 percent of the firm's total exports reduced to around 10 percent. That is what could happen now with our oil revenue in relation to total exports," said director Asdahl.

He also commented on Norges Bank's balance sheet, which was approved by the board of directors of the bank yesterday. The exchange rate development last year, with a falling dollar, produced a sizable exchange loss of around 9.7 billion kroner. The exchange rate adjustment fund has now been reduced from 25 percent to around 16 percent of currency assets and other assets that are vulnerable to exchange rate fluctuations. The goal is to increase this to 20 percent, Asdahl said.

After last year's loss the exchange rate adjustment fund stands at 21.6 billion kroner. Currency reserves have risen from 87.4 to 112 billion kroner and Norges Bank's administrative capital has increased by roughly 42 percent--from 98.6 billion to 141.3 billion kroner.

Some 58 percent of the foreign exchange reserve is in dollars. Last year the figure was 67 percent.

The chairman of the board dismissed criticism that the bank does not have more money in dollars when the dollar is rising and that it has too much in dollars when the dollar is falling.

Norges Bank must take a number of things into account in its management--and short-term currency speculation is not one of them, Asdahl said.

Politicians Could Do Better

The chairman of the Storting Finance Committee, Anders Talleraas, said that politicians should take to heart the criticism about pursuing a fiscal policy that is too expansive. He admitted that politicians are not very good at saying no.

"This was especially apparent in the debate on the 1986 budget. A few warning shots may be necessary," said Talleraas. He agreed that politicians in Storting could do better when it comes to long-range planning.

Anders Talleraas did not think central bank chief Hermod Skanland's speech would have much political impact by itself, but in combination with the OECD criticism and the situation on the oil market it should have some effect.

Talleraas was in full agreement with Skanland's emphasis on adjusting spending to match our resources.

Newspaper Supports Expenditure Warnings

Oslo AFTENPOSTEN in Norwegian 14 Feb 86 p 2

[Editorial: "Serious Annual Speech"]

[Text] Norwegian central bank chief Hermod Skanland's speech at the annual meeting of Norges Bank yesterday provided a basis for serious reflection. His description of the Norwegian economy and his analysis of the long-term problems were very interesting. We think the annual speech could be read profitably by many people who are making demands on society today--whether they be politicians, organizations or other groups.

It is correct to start out by mentioning that Norway's economic development has been favorable in recent years. We have had more growth in employment than ever before. Our unemployment is negligible compared to a number of other western countries. There is actually a shortage of labor in vital branches. Price increases have been moderate and our net foreign debt is now only 8 percent of Gross National Product compared to a high of 47 percent.

In other words the financial position of the Norwegian state is strong. But there is a big reservation to the present bright picture. Big petroleum revenues have made a substantial contribution to the good results. They have also given us greater freedom of action and a foreign economic surplus. According to the head of the central bank, Norway has won gold and silver medals in the economic sector because petroleum revenues "have given us a big boost in comparison with our competitors."

A central question today is whether this development trend will continue. And it is here that Skanland's analysis of the prospects is most interesting. His main theme is that fiscal policy must be based on the premise that spending should not exceed the revenue one can anticipate in the long term. In view of the fact that Norway has become so dependent on oil revenues and

that it is very uncertain how large they will be in the future, this creates special problems for our country.

Bank chief Skanland illustrated the importance of oil prices for the Norwegian economy up to 1990 from various points of view. The conclusion was that our foreign economy has become highly sensitive to price fluctuations. With the "current prices" and the "current policy," a big imbalance will be created. We can risk going into the 1990's with a debt as big as the one we had at the beginning of the 1980's--and with an interest burden that is a good deal heavier.

Do we have any control over the future outlook? Would it take a series of "political impossibilities" to change it, as bank director Skanland put it? He thought Norway could do a good deal. We agree with him on that point.

Among other things we must refrain from solving tasks that seem urgent by increasing public spending. The last billion in the national budget has a big negative impact on the deficit and does a lot of damage to a tight economy.

The biggest responsibility rests with the political authorities that shape fiscal policy, but credit institutions and labor organizations must bear their share. And the head of the central bank is quite right that this year's income settlements will affect jobs for the rest of the 1980's and well into the 1990's. These prospects are part of the picture too.

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ECONOMIC

PORTUGAL

BRIEFS

NONPERFORMING LOANS--A report by the Confederation of Portuguese Industry [CIP] projects that doubtful debt has surpassed 400 million contos in 1985, an increase of about 24 percent over 1984. In the report quoted by the NP, it is estimated that 405 million contos is the current total of bank loans in arrears and difficult to collect. The report also compares the marked increase in doubtful debt and progression of interest rates on one year loans from 1979 to 1985. It should be noted that doubtful debt, according to Bank of Portugal statistics, reached approximately 326.7 million contos in 1984. During the 6-year period studied in the CIP paper, interest rates rose from 20 to 29.5 percent while the amount of doubtful debt quadrupled. According to the CIP's figures, it rose from 106.4 million contos in 1979 to 405 million contos in 1985. [Text] [Lisbon DIARIO DE NOTICIAS in Portuguese 22 Jan 86 p 7] 9935/9738

RISE IN PUBLIC, PRIVATE CONSUMPTION--The government projects in its planning options bill that there will be a 3.5 percent increase in private consumption and a 1 percent increase in public consumption this year. This bill also contains projections of a 5.5 percent increase in exports of goods and services and a 6 percent increase in domestic demand. Imports of goods and services are projected to increase by 10.5 percent. This bill received cabinet approval on Friday and was given to the National Planning Council for its opinion. It also projects that the current accounts balance will go from a positive \$100 million in 1985 to a negative \$700 million in 1986. In addition to a 4 percent growth rate, which had already been anticipated and announced, the government also alludes to a positive reversal in capital investment in the order of 10 percent by volume. This figure is the results of a 20 percent increase in government spending, a 2.8 percent increase in the nationalized industries and 10 percent increase in the private sector. The bill will be sent to the Assembly of the Republic after the executive branch receives the council's report and studies it. [Text] [Lisbon DIARIO DE NOTICIAS in Portuguese 25 Jan 86 p 1] 9935/9435

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END

ENERGY

NORWAY

BRIEFS

ENERGY CONSUMPTION UP 7 PERCENT--Total domestic energy consumption grew by 7 percent during the two-year period 1983-85, the Central Statistical Bureau reports. At the same time, domestic consumption of electricity rose by 11 percent. Corrected for temperature, electricity consumption showed a rise of 7 percent. The sharp growth is being blamed on increased activity in energy intensive industries and wood processing and on an unusually strong increase in private consumption. During the last two years, real prices for heating oil have fallen while electricity prices have risen. As a result, some types of oil are now competitive with electricity for heating purposes, it is maintained. [Text] [Oslo AFTENPOSTEN in Norwegian 5 Feb 86 p 36] 13033/12790

INDUSTRIES SEEK INCREASED ENERGY--Extensive investments by five of Norway's largest industrial concerns has resulted in these energy-intensive industries now asking the Ministry of Oil and Energy for the allocation of 6 billion kWh of new energy by the year 2000. This amount of energy corresponds to water power development projects costing 15 billion kroner, or six times the resources of the Breheim project which is now in progress, writes BERGENS TIDENDE. Norsk Hydro and the Eikem Concern head the list of those seeking more energy--each with an estimated additional requirement for two billion kWh. The Aardal and Sunndal Works (AaSV) and Statoil follow next with a billion kWh each for their expansion programs. [Text] [Oslo AFTENPOSTEN 5 Feb 86 p 36] 13032/12790

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ENERGY

PORTUGAL

OIL PRICE FALL SAVINGS MAY NOT FILTER DOWN TO CONSUMER

Government to Use Savings

Lisbon EXPRESSO in Portuguese 24 Jan 86 p 20

[Excerpt] Despite this week's spectacular decline in the price of a barrel of oil on the international markets, the prices of fuels will not be altered, a Trade and Industry Ministry spokesman told EXPRESSO. The government intends to take advantage of this favorable turn of events--to which we should also add an anticipated 10 to 15 percent decline in the dollar's exchange rate for 1986--to balance the books of the defunct Supply Fund.

Forecasts made by American and English experts agree that there will be an overall decrease in fuel prices along the same lines as last year's decline, in some countries, after crude oil prices fell. In addition to consumers, the airlines and some industries will also benefit.

To maintain current fuel prices in Portugal would then be contrary to this tendency and these forecasts. To maintain artificial prices that hurt the consumer seems to be a way for the government to "fill in the holes."

Yesterday's price per barrel of crude was \$20 while the average cost a year ago was \$28. All indications are that the decrease will not stop here. It could shortly reach the \$14 per barrel level, which would be less than half the \$34 per barrel that existed in 1980, the highest price ever.

Significant Savings

The secrecy with which Portugal looks at everything related to oil prevents us from calculating the precise benefits our country may be able to get from this price decrease. Petrogal deals with government officials and they with Petrogal without officially providing concrete figures on existing contracts that assure the nation's supply of oil.

It is known that Portugal imported approximately 6.8 million tons of crude oil in 1984. This oil was valued at \$1,396 million, based on an average price of about \$28. If the same amount of oil is imported and we maintain the same rate of exchange for the dollar and the escudo then Portugal could

save somewhere around \$400 million, that is, just a little more than 60 million contos, in the event the price of crude oil settles around \$20 per barrel.

The anticipated decline in the value of the dollar may also benefit Portugal's crude oil imports if the escudo's devaluation, which is to resume in March, does not nullify that benefit. The escudo lost 30 percent of its value relative to the dollar in 1984. This, in itself, caused Portugal's oil bill to increase by 53 million contos and significantly canceled out the gains made through the decrease in the per barrel price of oil.

Savings Counterbalanced by Consumption Rise

Lisbon DIARIO DE NOTICIAS in Portuguese 26 Jan 86 p 5

[Excerpts] According to the experts, the anticipated decrease in the price of oil on the world market to \$14 per barrel could mean savings of 100 million contos for Portugal; a one-third cut in the energy bill.

According to ANOP, the figures are based on the fact that Portugal imported 63 million barrels (9 million equivalent tons of) of oil at an average of \$24 per barrel which makes the total energy bill 300 million contos. A 60 percent reduction in the price of a barrel of oil could decrease this bill to 200 million contos.

Increased Consumption

According to the sources contacted by ANOP, the anticipated reduction in the nation's energy bill may not fully take place. Estimates are that there will be an increase in energy consumption in Portugal. In effect, the government anticipates a 4 percent increase in Gross Domestic Product.

This type of increase in GDP, i.e., growth of the economy, requires an increase in energy needs of about 360,000 equivalent tons of oil, according to these same experts. They base their estimate on the assumption that a 1 percent increase in GDP will mean a 1 percent increase in energy needs.

This assumption is justified by the fact that the GDP elasticity (a measure that indicates how much of an increase in oil consumption there will be when the nation's GDP increases 1 percent) vis-a-vis the nation's energy needs is currently 1.3.

Nevertheless, the experts contacted by ANOP stressed that we could make an optimistic elasticity assumption if we consider the efforts made to conserve energy during the last few years, particularly by not going through with the creation of high energy consuming industrial projects.

The fact that 1.5 million equivalent tons of oil are refined products also does not negate the analysis since it is generally accepted that a decrease

in the price of raw materials will be proportionally reflected in refined products.

In addition, a decrease in the prices of coal and natural gas is also anticipated because these products use oil prices as an indicator. Oil will, therefore, not become competitive as it goes below certain levels because of the dragging effect it has on its substitutes.

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